

**JPRS 79262**

**21 October 1981**

# **China Report**

**ECONOMIC AFFAIRS**

**No. 178**



**FOREIGN BROADCAST INFORMATION SERVICE**

#### NOTE

JPRS publications contain information primarily from foreign newspapers, periodicals and books, but also from news agency transmissions and broadcasts. Materials from foreign-language sources are translated; those from English-language sources are transcribed or reprinted, with the original phrasing and other characteristics retained.

Headlines, editorial reports, and material enclosed in brackets [] are supplied by JPRS. Processing indicators such as [Text] or [Excerpt] in the first line of each item, or following the last line of a brief, indicate how the original information was processed. Where no processing indicator is given, the information was summarized or extracted.

Unfamiliar names rendered phonetically or transliterated are enclosed in parentheses. Words or names preceded by a question mark and enclosed in parentheses were not clear in the original but have been supplied as appropriate in context. Other unattributed parenthetical notes within the body of an item originate with the source. Times within items are as given by source.

The contents of this publication in no way represent the policies, views or attitudes of the U.S. Government.

#### PROCUREMENT OF PUBLICATIONS

JPRS publications may be ordered from the National Technical Information Service, Springfield, Virginia 22161. In ordering, it is recommended that the JPRS number, title, date and author, if applicable, of publication be cited.

Current JPRS publications are announced in Government Reports Announcements issued semi-monthly by the National Technical Information Service, and are listed in the Monthly Catalog of U.S. Government Publications issued by the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402.

Correspondence pertaining to matters other than procurement may be addressed to Joint Publications Research Service, 1000 North Glebe Road, Arlington, Virginia 22201.

21 October 1981

CHINA REPORT  
ECONOMIC AFFAIRS

No. 178

## CONTENTS

## PEOPLE'S REPUBLIC OF CHINA

## NATIONAL POLICY AND ISSUES

'JINGJI YANJIU' on Studying CCP Resolution  
(Dong Furen, et al.; JINGJI YANJIU, 20 Aug 81) ..... 1

Shanghai Paper on Development Amid Readjustment  
(Meng Zhaowen; SHIJIE JINGJI DAOBAO, 7 Sep 81) ..... 18

## ECONOMIC PLANNING

Definite Growth Rate Deemed Necessary During Economic Readjustment  
(Gu Ming, Tang Shaoming; GUANGMING RIBAO, 12 Sep 81) ..... 24

Briefs  
Guangzhou Economic Responsibility System 28

## FINANCE AND BANKING

Banks Urged To Support Economic Diversification in Countryside  
(DAZHONG RIBAO, 28 Aug 81) ..... 29

Briefs  
Jilin Saving Deposits 31  
Shandong Urban Deposits 31

## ENERGY

Altering Make-Up of Energy Resources To Control Pollution  
(Zhao Zongyu; HUANJING BACHU, No 3, 1981) ..... 32

## **MINERAL RESOURCES**

### **Briefs**

Jilin Gold Output 41

## **INDUSTRY**

### **PRC Journal on Merging Civil, Military Industry**

(Huang Qiuyan; JINGJI GUANLI, 15 Jul 81) ..... 42

### **Briefs**

Textile Output Value 48

Heilongjiang Coal Output 48

Jilin Textile Industry 48

## **CONSTRUCTION**

### **National Conference on Construction in Enterprises Concludes**

(Hebei Provincial Service, 25 Sep 81) ..... 49

### **Briefs**

Housing Construction Pace 50

Heilongjiang Housing Construction 50

## **DOMESTIC TRADE**

### **Briefs**

Shandong Commodity Purchases 51

## **FOREIGN TRADE**

### **Briefs**

Guangdong Smuggling Case 52

Printing Machine Sales Exhibition 52

## **LABOR AND WAGES**

### **Briefs**

Grassroots Trade Unions 53

## **TRANSPORTATION**

### **PRC Aviation Administration Letter to Taiwan**

(XINHUA, 6 Oct 81) ..... 54

### **Briefs**

Liaoning Changxing Island Bridge 55

## **GENERAL**

### **Importance of Collective Economy in Cities and Towns Stressed**

(Qi Yongping; DAZHONG RIBAO, 3 Sep 81) ..... 56

## PUBLICATIONS

### Briefs

Chinese Economic Yearbook

59

## HONG KONG MEDIA ON CHINA

### NATIONAL POLICY AND ISSUES

PRC Economist on Industry, Economic Report (Julie Auyeung; SOUTH CHINA MORNING POST, 20 Sep 81).....	60
Hong Kong, PRC Overseas Construction Laborer Contract (BUSINESS STANDARD, 15 Sep 81) .....	62
Hong Kong Paper on PRC Changes Economic Policy (SOUTH CHINA MORNING POST, 22 Sep 81) .....	63
Hong Kong Paper on PRC Economic Seminar (WEN WEI PO, 28 Sep 81) .....	67
'WEN WEI PO' on Improving Enterprise Management (WEN WEI PO, 21 Sep 81) .....	69
Hong Kong Paper on PRC's Enterprise Management (WEN WEI PO, 25 Sep 81) .....	71

### ECONOMIC PLANNING

Tianjin May Become Special Trade Area (SOUTH CHINA MORNING POST, 25 Sep 81) .....	73
--	----

### FOREIGN TRADE

Stern Punishment for Smugglers in Guangzhou (WEN WEI PO, 22 Sep 81) .....	75
--	----

### Briefs

China, ROK Trade

76

NATIONAL POLICY AND ISSUES

'JINGJI YANJIU' ON STUDYING CCP RESOLUTION

HK131313 Beijing JINGJI YANJIU [ECONOMIC RESEARCH] in Chinese No 8, 20 Aug 81  
pp 3-14

[Excerpts of remarks by Dong Furen [5516 6534 4356], Wu Baosan [1566 1405 0005], Wu Chengming [0702 2110 2494], Tian Jianghui [3944 3068 3189], Liang Wensen [2733 2429 2773], and Pei Junsheng [5952 0193 3932]: "Seriously Study the 'Resolution' to Promote the Study of Economic Theory—Excerpts of Remarks of Some Researchers of the Institute of Economics of the Chinese Academy of Social Sciences in Forum on Studying the 'Resolution'" ]

[Text] Editor's note: After the publication of the "Resolution on Certain Questions in the History of Our Party Since the Founding of the PRC," some researchers of the Institute of Economics of the Chinese Academy of Social Sciences held a forum on 10 and 11 July to freely express their thoughts on studying the "resolution." The forum was presided over by Comrade Xu Dixin. Participants in the forum were enthusiastic in airing their views and the meeting proceeded in a lively atmosphere. The participants all professed their determination to support the "resolution." They also said that they will continue the in-depth study of the "resolution" and promote the study of economic theory, in order to better serve the needs of the building of socialist modernization. The following are excerpts from remarks made in the forum. [End editor's note]

Dong Furen: Develop Economic Science by Combining Theory and Practice

The "Resolution on Certain Questions in the History of Our Party Since the Founding of the PRC" is a great historic document. By scientifically summing up the experience in socialist revolution and socialist construction, it clearly points out to the whole party and the whole people the direction of advance. The "resolution" is rich in content. Here, I will focus the discussion of my thoughts after studying the "resolution" on the correct road of socialist construction pointed out by the "resolution."

The "resolution" points out that the vital soul of Mao Zedong Thought, that is, its standpoint, viewpoint and method, includes three basic aspects: seeking truth from facts, the mass line and independence and self-reliance. Seeking truth from facts means proceeding from reality in everything, relating theory to reality and combining the general principles of Marxism and the concrete practice of the Chinese revolution. In terms of socialist economic construction, this means

starting from the basic national condition, taking Marxist economic science as guiding thought and seeking a road to national economic modernization which is suited to our national condition. In this aspect, our party and Comrade Mao Zedong has made many explorations over a long period of time. After the 3d plenary session of the 11th CCP Central Committee, in its process of summing up positive and negative experience in socialist construction over the past 30 years, the party has put forth this question even more explicitly and has gradually found a correct road to socialist modernization which is suited to our national situation. The "resolution" concisely and incisively discusses this correct road. This is very meaningful. It does not only play a great guiding role in our economic work and the study of the economic theory, but also puts forth a series of issues which require further study for our economic workers and economic theorists. The study of these issues is necessary for the continued enrichment and improvement of the building of socialist modernization in the process of practice. It is also required for developing Marxist economic science by combining theory and practice.

First, we must do an in-depth study of our basic national situation. This is the starting point of socialist economic construction. As Comrade Hu Yaobang said: "To build a beautiful tomorrow, first, we must base ourselves on a relatively correct understanding of today's China. It is not true that we already know too much about China's national situation and the objective law of building socialism. The fact is, we know too little." Indeed, one of the main reasons why for a long time, leftist errors existed in our past economic work was that to a certain degree, we deviated from the national situation of our country and exceeded what was realistically possible. Today, we have acquired a clearer understanding of the basic national situation. However, we cannot say that the necessity of studying the national situation in depth has gained popular recognition. Furthermore, the study of the national situation cannot be done once and for all. We must constantly study our changing national situation with the progress of modernization. We must also see that in big, oriental country such as ours with a population of 1 billion, of which 800 million are peasants, a vast territory and very uneven economic development, not only is the overall situation extremely complicated, even regional conditions vary greatly. On the one hand, we must exert great efforts to study and master the overall and basic situation. This is undoubtedly very important for determining future economic development strategy. On the other hand, the study of the national situation must be conducted by having separate studies according to regions and sectors, in order to avoid over simplification and uniformity in giving guidance to economic work. We, economic theorists, must strengthen our study of the national situation.

Second, we must start from our basic national situation and proceed to study the overall strategic goal of the building of socialist modernization and the specific goals during each of its stages. Only thus can we make our socialist construction advance toward a unified and clearcut goal in a step-by-step manner and in stages and avoid detours as much as possible.

The central idea in determining the overall strategic goal and specific goals during various stages is to resolve the contradiction between the people's growing material and cultural needs and the backward productive forces. In order to gradually improve the people's livelihood on the basis of the continuous development of production, on the one hand, we must study the changes in our people's

material and cultural needs as production develops and formulate a consumption model which is suited to our national situation; on the other, we must study how to take effective measures which are appropriate to the various stages and which vigorously develop productivity in order to satisfy the people's needs and better fulfill socialist production goals.

When studying and formulating the overall strategic goal and the specific goals in the various stages of achieving modernization, we must realize the spirit of doing things according to our capability while also actively engaging in struggle. The victory of the socialist revolution has brought out great enthusiasm among the broad masses of people to devote themselves to socialist construction. We must highly treasure the masses' enthusiasm for labor, bring into play our spirit of active struggle and make our socialist construction proceed in the best and fastest way possible. Of course, while bringing into play the spirit of active struggle, we must also proceed from objective reality and emphasize doing things according to our capability. We must see that we still have a weak economic and cultural foundation; we must see that our agriculture is basically done by manual labor, that agricultural productivity is very low, that some peasants lead a difficult life and that the living standard of the broad masses of urban and rural people is relatively low; we must also see that we have a big population which is growing too fast. These basic conditions dictate that our economic construction must proceed within the limits of our capability and that construction scale and growth rate must be compatible to national power. In the past, it was precisely because we one-sidedly emphasized human subjective initiative while neglecting objective economic conditions and one-sidedly emphasized growth rate while neglecting doing things according to our capability that socialist construction suffered losses. We must seriously remember this lesson.

Third, we must create concrete forms of socialist production relations which are suited to our national situation. Man's understanding of scientific socialism has gone through a very long process. When Marx and Engels formulated the theories of scientific socialism, they foresaw the basic features of future society through the analysis of basic contradictions of capitalism and discussed basic principles such as communist society is divided into two stages. These principles have great instructive value for our socialist construction. However, socialist systems have been established in specific countries. There are great differences in the national situations of various countries and thus socialist systems built in various countries have unique features and they cannot be completely identical. Furthermore, man's understanding of the socialist system can only gradually develop and improve in the practice of building socialism. Socialist revolutionary practice in our country tells us that we must correctly differentiate between the basic economic system of socialism and its specific forms. The basic economic system of socialism will be relatively stable during the entire historical period of socialism, while the specific forms must be constantly readjusted and even changes are necessary. On the premise of persisting in the basic socialist economic system, we must consciously reform those specific forms which are incompatible with the development of the productive forces and with the people's interests. The "resolution" pointed out that: "Our task is to create specific forms of production relations which are compatible with each stage and which promote continuous advance according to the requirements of the development of the productive forces in our country." This is a great issue confronting us. This involves the form and structure of the system

of ownership of the means of production with socialist public ownership occupying an absolute dominant position, specific management and distribution systems which are compatible with various economic components, a planned economic system making use of market mechanisms, and others. In the past few years, the broad masses of people and cadres have created various specific forms of production relations which are suited to the multi-level conditions of the productive forces in urban and rural areas. Examples of this include the various forms of production responsibility systems which link remuneration with output and which are being popularized in the rural areas, the method of workers of state-run economic units taking charge of management being experimented within cities and others. Practice has shown that the adaptability of various specific forms to the multi-level condition of the productive forces varies and thus their effectiveness in promoting productivity also differs. These problems await our serious summing up and theoretical analysis.

Fourth, the solution of the above-mentioned problems must be based on economic and natural laws. Therefore, how to correctly understand and apply these laws is also an important research topic. Comrade Mao Zedong pointed out a long time ago that we still lack experience in economic construction and we need to accumulate experience. We must know that a contradiction exists in this problem—that is, the contradiction between the objective law of socialist economic development and our subjective understanding of the law. This must be resolved in the process of practice. With practice in the past few years, we have gradually come to know that we must not only master the general formulations of economic laws, but must also study the specific demands they place and the unique features and mechanisms of their operation under the concrete conditions in our country and in various stages of economic development. We must not only study economic laws one by one, but must also study their interrelation and interaction. At the same time, our understanding of economic and natural laws must not only be limited to the qualitative aspect. We must also know the quantitative rules that they entail under various conditions. Of course, to us, there are still many "realms of necessity" in the field of objective laws of socialist economic development. We must continue to sum up experiences from practice and gradually deepen our understanding of economic law in order to make future socialist modernization more harmonious with the requirements of objective laws.

#### Wu Baosan: It Is Extremely Necessary To Strengthen Study of the History of Economic Thinking

The "Resolution on Certain Questions in the History of Our Party Since the Founding of the PRC" passed by the 6th plenary session is a brilliant document of historical materialism. One part of the document says that: "The study of Marxist theory, of present conditions and history of China and foreign countries and of various fields in the social and natural sciences must be greatly strengthened in the whole party." This is a very significant call. It greatly encourages and spurs on the social science workers. Under such a call and encouragement, what confronts us is how to do a good job in conducting economic science research work. As a research worker in the field of history of economic thought or history of economic ideology, I would like to talk about the present conditions of this field and present my suggestions on strengthening research work.

As an academic field, the history of economic thought or history of economic thinking belongs to the historical portion of political economics. It involves the entire history of the development of economic theories up to the present and its scope embraces both ancient and contemporary periods and Chinese and foreign countries. It has a very wide scope. At present, we only have a relatively systematic knowledge of foreign economic theories from the period after mercantilism up to the formulation of Marxist economic theory—that is, foreign economic theories from the early 16th century to the late 19th century or a span of more than 300 years. This is because Marx had conducted detailed analysis of various economic theories during this period and discarded the dross and extracted the essence in order to formulate his own economic theory. Today, we have great writings such as "A Critique of Political Economics," the "Theory of Surplus Value" and "Das Kapital" as our study guide. With regard to Western bourgeois economic theories after Marx's death, although our writings on the history of economic theories have sometimes mentioned them, we can say that our research in this aspect is still very insufficient. The study of contemporary Western political theories in new China started in the 1960's. At that time, there had been efforts to systematically introduce the major schools of thought and theories. However, this was interrupted by the "great cultural revolution." It was only after the smashing of the "gang of four" that research in this aspect was revived. As to the Chinese portion of the history of economic theories—the study of Chinese economic ideology, although a few writings on the subject have been published, they were actually only a beginning. It must be pointed out that none of the books published in our country on the history of economic theories or history of economic ideology included the history of the development of Chinese economic ideology. This was not due to the negligence of historians of economic theories, but was due to the fact that for a long period of time, writings on this subject in our country were very few and these provide historians of ideology with too little material. We must see that research in this field is closely related to bringing the spirit of patriotism into play. Our history is not lacking in rich and outstanding political ideas, but the contents of all the writings we read on the history of economic thinking came from foreign countries. Can we allow this situation to persist indefinitely? Furthermore, it is time that the study of the history of socialist political economy, including that of our country and that of other countries, be put on the agenda. Not to mention other countries, new China has been in existence for 32 years. During this period, the road taken by the study of socialist political economics has been quite tortuous. To study the history of the development of socialist political economics in our country and in foreign countries will be beneficial to developing socialist economic theory.

Every field of study has its reason for being. Generally speaking, the significance of the study of the history of economic theories lies in studying the past to understand the present. To cite an example, without knowing the shortcoming of the theory of labor value in classical political economics, we cannot fully understand the great significance of Marx's theories of labor value and surplus value. The value of the history of economic theories lies in its ability to provide material for the development of new economic theories. There are many examples in this aspect. The fact that classical political economics was one of the three sources of Marxism is the best example. Furthermore, the history of theories is not totally unrelated to present reality. Marx's economic theories play a guiding role in our socialist construction. This is obvious enough. Even in the case of bourgeois economics, although it deals with capitalist theories of economic management,

although it is history, the issues it studies is related to contemporary actual problems. We must not treat it entirely as history. Thus, we must have an appropriate understanding of the importance of the study of the history of economic theories.

At present, there is an important question confronting us—that is, how to view modern and contemporary bourgeois economic theories. Modern and contemporary bourgeois economic theories basically serve to maintain the capitalist system. However, as I said above, they study actual economic problems in capitalist society, such as economic growth, economic projection, rational organization of various factors of production, changes in consumer demand and how to determine the prices of various commodities. It is worth considering whether we can learn something from their studies of these problems. At present, many economists hold the following view about bourgeois economic theories: No matter whether they be classical or contemporary, we must study them in depth and analytically and critically absorb from them things of value for our own use. We must not blindly worship and nor should we summarily negate everything. This is a rediscovery of bourgeois economic theories. That is also my view at present. The key point here is to study them. This is because to decide whether there is anything of value or of use in them and whether they must be categorically negated all depends on studying them in detail, using the Marxist standpoint, point of view and methods. Here, I would like to emphasize that we must learn from Marx. In order to study the law of economic movement in capitalist society, Marx read all the writings on bourgeois economics and wrote detailed discourses on the important writings. He affirmed the scientific elements and discarded the vulgar contents. Through Marx's study, today, we are able to comprehensively understand many important bourgeois economic writings before Marx and during his lifetime. It has been more than 100 years since Marx died. During Marx's old age, because he was finishing his masterpiece "Das Kapital," he was not able to study some important bourgeois economic writings published at that time, including "Theory of Political Economics" by English economist Jervons (1871), the "Principle of National Economy" by French-Swedish writer (Varla) [Wa Er La 3907 3643 2139] (1874). There are even more writings on bourgeois economics published from the time after Marx's death to the present. To mention some of the important ones, there are Italian Pareto's "Discourse on Political Economy," (1896-1897), English Malthus's "Principles of Economics" (1890), Swedish (Wickzel's) [Wei Ke Sai Er 1218 0344 1049 3643] "Discourse on Political Economy" (1901), English Keynes' "A General Discourse on Employment, Interest and Currency" (1936) and Italian-English (Slafa's) [Si La Fa 2448 2139 3127] "Producing Commodities With Commodities" (1960). Of course, there is a lot of dross in the above works. However, we have not seriously studied the above works and other works which were not mentioned. Is it necessary to study them? I think it is very necessary. Let us cite one example. The works of (Varla) and Pareto mentioned above were unknown in British and American economic circles at first. It was not until 1934, after (Schicks) [Xi Ke Si 1585 0344 2448] and (Allen) [Ai Lun 5337 0243] wrote a paper discussing (Varla) and Pareto's theory of general balance that British and American economic circles began to take their theories seriously. It took as long as 60 years before they were recognized. Later, Leontief made use of (Varla's) theory of general balance and mathematical methods to study the input and output relations among various sectors of the national economy. Arrow also used (Varla's) theory and mathematical methods to formulate his new theory on enterprise decisionmaking. This involves the question of the

importance of analytical methods. In this aspect, we have many things to study in bourgeois economic theories. As a whole, we must emulate Marx and study and criticize important bourgeois economic works. This is absolutely necessary for us to absorb the useful things and criticize their faults. Furthermore, there are now many Western writings on the study of Marxist economics. We must also study them.

In the past 2 years, the economic circles in Beijing conducted symposia on foreign economic theories. This year, the People's Publishing House has begun publishing a series of books on foreign economic theories to introduce the major schools of bourgeois economics at present. This is a good beginning in in-depth study of the history of economic thinking. I believe that under the call of the "resolution" to strengthen the study of social sciences, the study of the history of economic theories or the history of economic thinking will also reap rich results.

#### Wu Chengming: Comrade Mao Zedong's Incisive Analysis of the Chinese Bourgeoisie Enriched and Developed Marxism-Leninism

Comrade Mao Zedong was a great Marxist and a great proletarian revolutionary, strategist and theoretician. The Chinese communists, with Comrade Mao Zedong as their chief representative, made a theoretical summarization of the very rich practical experience in the prolonged Chinese revolution according to the basic principles of Marxism-Leninism and formed the scientific guiding thoughts suitable for Chinese conditions. The product of this is Mao Zedong Thought, which is the application of the general principles of Marxism-Leninism to the actual practice of the Chinese revolution. Mao Zedong Thought enriched and developed Marxism-Leninism with a series of creative theories. Here, I would like to look at Comrade Mao Zedong's contributions to the treasury of Marxism-Leninism with his incisive analysis of the Chinese bourgeoisie.

The question of how a big agricultural country which was formerly semicolonial and semifeudal should treat the bourgeoisie in the course of democratic and socialist revolution, is an extremely important one. When in 1926, in his "Analysis of the Classes in Chinese Society," Comrade Mao Zedong pointed out: "Who are our enemies? Who are our friends? This is a question of the first importance for the revolution," he had already analyzed the Chinese bourgeoisie in detail and pointed out their trend of disintegration and their dual possibilities of becoming enemies or friends.

#### First, on the position and role of the bourgeoisie.

China was formerly an economically-backward country with a small peasant economy occupying an absolute predominant position. Capitalism was very weak. Then, how significant was the Chinese bourgeoisie? Some people, judging from this, negated the possibility of a socialist revolution in China or claimed that it could only be an "agricultural socialist revolution." Some people also doubted, after the liberation of the whole country, whether the contradiction between the working class and the bourgeoisie would become the principal contradiction in society.

The Chinese capitalist economy was indeed weak, but it had attained some development after all. According to estimates, modern industrial output on the eve of

liberation was 17 percent of overall industrial and agricultural output. To add the output of handicraft workshops with capitalistic characteristics, the sum made up 23 percent of overall industrial and agricultural production. The income of the modern communications and transportation industry also made up more than 50 percent of overall income from communications and transportation. The capitalist economy was under the control of basic industries like steelmaking and machine-building, major sources of energy like coal and electricity, major lines of transportation like railroads, highways and steamships, the entire national financial system, import and export trade and the markets in major cities. Thus, although the development of capitalist economy was limited, it controlled the lifeline of the national economy. It was precisely on this economic base that the big bourgeoisie collaborated with imperialism and the big landlord class, usurped state political power for a time and became one of the three major enemies of the Chinese people's revolution. It was also in accordance with this historical fact that Comrade Mao Zedong put forth the general line of new democracy and the three major economic programs.

Comrade Mao Zedong also took full account of the positive role of the bourgeoisie, particularly the national bourgeoisie. He pointed out that the national bourgeoisie led the Chinese democratic revolutionary movement at a relatively early period and highly regarded the great contributions and achievements of revolutionary forerunner, Mr Sun Yat-sen. He also pointed out that at that time, it was the social class with the highest cultural level, which had wide social connections and which exercised great political influence. In accordance with its dual character, he put forth the united front policy of unity and struggle. It was only through winning over the national bourgeoisie to join the revolution or to adopt a neutral attitude toward the revolution that the enemy could be isolated to the utmost extent. It was because of such a position and role of the bourgeoisie that the united front policy became one of the three magic weapons of the Chinese democratic revolution led by the proletariat.

After the liberation in 1949, industrial fixed assets in the whole country were worth merely 12.8 billion yuan and most of them consisted of bureaucrat capital confiscated by the people's government. At that time, private industrial capital amounted to merely 2 billion yuan. Thus, during our transition to socialism, could the contradiction between the working class and the bourgeoisie become the principal contradiction in society?

This mainly depended on the historical conditions at that time. During that period, although private capital was small, it still constituted 63.2 percent of industrial production (computed according to total production value) and 85 percent of urban and rural markets (computed according to retail volume). It employed 1.64 million industrial staff and workers and 6.62 million commercial employees, which was about 50 percent of the total number of workers. In order to change the backward condition of our economy, the state-run economy had to develop rapidly, while the capitalist economy which was beneficial to the national economy and the people's livelihood also had to be considerably developed. From 1949 to 1952, private industry was rapidly growing at the rate of 10,000 units each year and total production value increase was 54.2 percent. Under such conditions, its contradiction with the state-run economy and the staff and workers of the enterprises inevitably grew sharper. The bourgeoisie's speculation and profiteering and its attack on the

state-run economy and the working class through illegal means became more and more rampant. This reached a peak before the "five antis" movement in 1952. These are irrefutable facts.

After the new democratic revolution won victory in the whole country and resolved the land problem, the principal contradiction in the country became that between the working class and the bourgeoisie. This point was put forth by Comrade Mao Zedong at the second plenary session of the Seventh Party Central Committee in 1949 and was again explicitly discussed by him in 1952. (See "Selected Works of Mao Zedong," Vol 5, p 65) This point and the party's general line during the period of transition which was formulated based on this point is a development of Marx's and particularly Lenin's theory on the period of transition. Lenin's theory on the period of transition started from the fact that "Russia is a very backward petit bourgeois country." However, he pointed out that like other countries, during the early period of transition to communism, Russia had three basic economic forms, that is "capitalism, small commodity production and communism" and correspondingly, there were three basic forces, that is, "bourgeoisie, petite bourgeoisie (particularly the peasants) and proletariat." This period of transition "inevitably had to be one in which the dying capitalism struggles against the growing communism." ("Selected Works of Lenin," Vol 4, pp 84, 85. "Communism" here means what we term as socialist society.) As to the means and methods to deal with this struggle, they differ from country to country. Our party's general line during the period of transition of simultaneously conducting socialist industrialization and socialist transformation was formulated according to the historical conditions in our country. It is well known that this has achieved great results.

Second, on the question of dividing the bourgeoisie into two categories.

A basic point in Comrade Mao Zedong's revolutionary theory on new democracy was to divide the Chinese bourgeoisie into two categories: One was the big bourgeoisie or the bureaucrat-comprador bourgeoisie which was an appendage of imperialism; the other was the national bourgeoisie which had both the desire to revolt and the tendency to vacillate.

The differentiation of enemy from friend in our new democratic revolution was done according to this class analysis. The revolutionary united front led by the proletariat was also conducted according to this classification. The united front policy asked the national bourgeoisie to join the revolution or to at least maintain a sympathetic or neutral attitude toward the revolution in order to isolate the enemy to the greatest extent. This policy was able to attract a part of the big bourgeoisie into the united front under special conditions, particularly when national contradictions became the principal contradiction. The handling of the Xian incident in 1936 and the establishment of the anti-Japanese national united front was a clear example.

After the victory of the new democratic revolution, the socialist transformation of the system of private ownership of the means of production was also conducted according to the principle of classifying the bourgeoisie into two. Bureaucrat capital was completely confiscated while assets of the national bourgeoisie were peacefully bought out. This spirit also permeated the constitution, various political activities and the handling, education and transformation of bourgeois elements.

It must be clearly pointed out that the classification of the bourgeoisie into two was absolutely not a result of anyone's subjective will and was not artificially prescribed. This classification objectively exists and was historically formed.

Every economic phenomenon has to undergo a process. It has its continuity and its development is divided into stages. This was also true in the case of the development of capitalism in our country. The early enterprises of the Westernization movement were the offspring of officially-run industries of the feudal economy. They had comprador characteristics from the very beginning. Later, during the early 20th century, they developed into northern bureaucrat capital centering on finance. During the period of Chiang Kai-shek's rule, they gradually developed into their highest stage--comprador-bureaucrat-state monopoly capitalism. On the other hand, the early modern private enterprises originated from the seeds of capitalism in the feudal society. Going through their initial period of development and intermediate period of development, they reached their peak period in 1936 and started to go downhill after that. The distinction between the big bourgeoisie and the national bourgeoisie was because they were formed from different economic bases. The two continued to disintegrate, interpenetrate and transform themselves. However, on the whole, they continued to maintain different characteristics and carry their mutually contradictory aspect.

Classifying the bourgeoisie into two was also not simply a tactical move designed to take advantage of contradictions, win over the majority and attack the minority. It was the result of the communists' in-depth analysis of class contradiction in society according to the principle of the unity of opposites. Here, Comrade Mao Zedong's theory on the two kinds of contradictions showed great creative insight. According to this theory, we solved the problem of the big bourgeoisie by applying the principle of handling contradictions between the enemy and ourselves, solved the problem of the national bourgeoisie by applying the principle of handling contradictions among the people and achieved great results. Comrade Mao Zedong pointed out: Under the conditions in our country, the contradiction between the working class and the national bourgeoisie belonged to the category of contradiction among the people and the class struggle between the working class and the national bourgeoisie generally belonged to the category of class struggle among the people. Thus, he created a whole series of new methods of class struggle in politics, economics and ideological education and made contributions to the Marxist theory of class struggle. The article "On the Correct Handling of Contradictions Among the People" was published in 1957, but as Comrade Mao Zedong said, methods such as unity-criticism-unity mentioned in the article had been popularized outside the party in the liberated areas as early as the 1940's.

From this, we can also see that the theory of exercising allround dictatorship over the bourgeoisie which was put forth during the "great cultural revolution" and the whole set of stormy methods of class struggle were not only totally erroneous, but were also against the basic principles of Mao Zedong Thought.

Third, on the question of the elimination of classes.

Lenin said: Socialism is the elimination of classes. However, both Marx and Lenin did not concretely discuss the process of eliminating classes because they never encountered this situation. Comrade Mao Zedong took account of this process,

although he did not discuss this in detail. However, this problem is clear in the context of Mao Zedong Thought.

The system of private ownership of the means of production is the economic base of the exploiting class. Comrade Mao Zedong led the works of land reform, confiscation of bureaucrat capital and the socialist transformation of capitalist industry and commerce. At the same time, he repeatedly stressed that while effecting this kind of change, elements of the reactionary classes must be given a way out, that jobs must be arranged for national bourgeoisie elements and that all members of the exploiting classes must be transformed into workers earning their own living. These policies and principles were undoubtedly correct.

Comrade Mao Zedong had always considered the remolding of the elements of the eliminated classes one of the important links in carrying on the revolutionary cause to the end. According to the Marxist dialectical principle governing the relations between existence and consciousness, Comrade Mao Zedong had always advocated that in order to advance the revolutionary cause, everyone must be and can be remolded. As early as 1937, he already put forth in his article "On Contradiction" the point that we must "remold the objective world and remodel our subjective world." In 1949, on the eve of the complete victory of the democratic revolution, he put forth the task of remolding the overthrown old ruling class. He said: "When this work is well done, China's major exploiting classes, the landlord class and the bureaucrat bourgeoisie (the monopoly capitalist class), will be eliminated for good." ("On the People's Democratic Dictatorship")

The process of the socialist transformation of capitalist industry and commerce included the education and remolding of the members of the national bourgeoisie from the very beginning. Through the entire process of transforming capitalist enterprises, we did not ostracize the capitalists, but instead involved them in the process of change. As a matter of fact, much concrete work in the transformation process was done by the capitalists themselves. Thus, the process of transforming enterprises also remolded people. After joint public and private enterprises were established, special attention was paid to giving the capitalists jobs in order to enable them to work and study with the workers under the leadership of the party organizations in the enterprises. Thus, after terminating joint public and private enterprises and eliminating exploitation (stopping payment of fixed interest), an overwhelming majority of the bourgeoisie with the capacity to work had been remolded into workers in the socialist society, while an overwhelming majority of the remainder had become patriots who supported socialism.

Thus, in our country, the landlord and rich peasant classes were eliminated as social classes and the same was also true with the capitalists.

After the elimination of the exploiting classes, class struggle still continues in certain realms. The elimination of class differences and the uprooting of the social cause of class differences are long-term revolutionary tasks. However, this must not be confused with the original meaning of class contradiction and class struggle. After the transformation of the system of private ownership was basically accomplished, the Eighth Party Congress in 1956 correctly pointed out: Although we must continue to struggle for the completion of the socialist transformation and the final elimination of the exploitative system, the principal contradiction in our country now is no longer the contradiction between the working class and

the bourgeoisie but the contradiction between the people's demand for rapid development of the economy and culture and the present economic and cultural situation's failure to satisfy the people's demand.

In 1957, Comrade Mao Zedong also suggested that the correct handling of contradictions among the people be considered the main theme in our country's political life. He further pointed out that the stormy mass class struggle during the period of revolution had basically ended and that from then on, the forms and methods of class struggle would be different. These were important contributions to the Marxist theory of class struggle.

#### Tian Jiang Hai: Vigorously Search For Concrete Forms of Production Relations Which Are Suited to the Condition of the Productive Forces

The last part of the "resolution" pointed out: "A fixed set of models does not exist for the development of socialist production relations. Our task is to create at each stage concrete forms of production relations which are suited to each stage and which are conducive to its continuous growth in accordance with the requirement for the growth of the productive forces in our country." This is a conclusion arrived at by closely applying the basic Marxist principle that production relations must be compatible with the nature of the productive forces to our practical experience over the 32 years since the founding of the People's Republic. This is a significant long-term task being put forth to the broad masses of cadres and people and an important subject of study being put before the economic theorists.

The "resolution" pointed out: "A fixed set of models does not exist for the development of socialist production relations." This is worthy of profound consideration. In the past, there were too many "forbidden zones" in this field: if one proposed to change the system of state ownership characterized by "the nine unifieds ruling the country" ("nine unifieds" pertain to unified allocation and transfer of materials, unified procurement and marketing of commodities, unified financial income and expenditures, unified importation and exportation in foreign trade and unified planning), one was inevitably charged with negating the system of ownership by the whole people; if one proposed that state-run enterprises should assume responsibility for their own profits and losses, one was inevitably charged with engaging in capitalist methods of management; if one suggested the system of paying dues for fixed assets, one was inevitably accused of attempting to change the nature of state-run enterprises; if one suggested the method of having floating wages on top of basic wages, one was accused of changing the socialist system of distribution according to work. Even proposing piecework wages would be looked upon as practicing revisionism. As to fixing farm output quotas for each household, that was viewed as reviving capitalism. Thus, we rigidly restricted our options and were increasingly heading toward a cul-de-sac. Now, the "resolution" has given us a powerful ideological weapon and emancipated our minds. At the same time, it has also increased our responsibility as theoretical workers.

While the concrete forms of production relations are closely related to the nature of production relations they are not one and the same thing. Whether production relations are compatible with the condition of the productive forces is embodied in the concrete forms of production relations. On the other hand, changes in the concrete forms of production relations might also lead to some changes or even partial qualitative changes in the nature of production relations. The basic

characteristics of production relations (system of public ownership and distribution according to work) can maintain stability for a considerable length of time, while the concrete forms of production relations are characterized by relative changeability. It is very insufficient for socialist political economics to limit itself to the study of the general law of the production relations adaptability to the nature of the productive forces. In-depth study must also be done on the concrete forms of the production relations and the actual condition of the productive forces.

The actual conditions of the productive forces in each stage of the entire historical period of socialism is different. At present, the level of productivity in our country is generally low and the level of mechanization and automation is also low. Furthermore, economic development is uneven. Industrial productivity is obviously higher than agricultural productivity; in the industrial sector, productivity in heavy industry is higher than in light industry, while development is also uneven within the heavy and light industrial sectors. There is also a big gap between the productivity level in various localities. The level of industrial development in coastal cities such as Shanghai and Tianjin is definitely much higher than inland areas, while the level of agricultural development in suburban areas of big cities and on the plains is noticeably higher than that in remote mountainous areas and minority nationality areas. Thus, the same concrete form of production relations might be compatible with the condition of the productive forces at one time and incompatible at another; it might be compatible with the condition of the productive forces in one area but not in another and it might be suited for the condition of the productive forces in one sector but not in another sector. This requires that when we determine the concrete form of production relations, we must start from the actual situation at a specific time and in a specific place and must not apply the formula of "uniformity." Leading organs must not make rigid and uniform demands, while the basic units must not mechanically copy other people's methods.

At the present stage of socialism in our country, we must take concrete forms of socialist production relations as a major concern in our search and creation of concrete forms of production relations which are compatible with the productive forces. However, we must also deal with their relations with concrete forms of the individual economy and take into account the latter forms. For example:

The concrete form of transition from the individual economy to the collective economy to the economy of the whole people. In the socialist transformation of agriculture, the handicraft industry and capitalist industry and commerce, our party led the masses to create many forms of transition from the private economy to the socialist economy of public ownership which were suited to the actual situation in our country. This was very successful and had great significance. For a considerable period of time from now on, we will have to preserve the individual economy. However, with the development of the productive forces and the change in the masses' demands and looking at the long-term trend, there ought to be a transition to the economy of public ownership. The concrete form of transition to be adopted must be studied. As to how the internal development of the economy of public ownership will be, we must devote even more efforts to its study. For example, we used to think that the order of development of the collective economy in the rural areas would be: from ownership by the production team to

ownership by the production brigade to ownership by the commune then to state-run economy. Looking at it now, with the advent of joint agricultural-industrial-commercial enterprises, the delineation of administrative divisions and system of ownership has been bypassed. Thus, it has broken away from the rigid model that was conceptualized in the past.

The concrete form of the combination of the economy of the whole people, the collective economy and the individual economy. At present, various forms of joint economy, including joint enterprises under the system of ownership by the whole people and collective ownership, mergers of state-owned enterprises, mergers of collectively-owned enterprises and mergers of enterprises under the system of ownership by the whole people, collective ownership and individual ownership, have appeared in various areas. The emergence of these forms of joint economy has resulted in the interpenetration of the original economy of the whole people, collective economy and individual economy and brought about a state wherein "each one contains the others." The joining of hands of the economy of the whole people and the collective economy led to changes in the level of public ownership; the three-way merger of the economy of the whole people, the collective economy and the individual economy further caused the integration and transformation of public and private ownership; even the simple merger among enterprises under the system of ownership by the whole people and among enterprises under collective ownership has produced the differentiation between individual enterprises and joint enterprises. These organizational forms of joint economy appeared as an answer to the objective requirement for the development of the productive forces. They are capable of taking advantage of strong points and avoiding weak points and undertaking economic endeavors which individual enterprises or individual operations are incapable of doing. They have created new productive forces. These new concrete forms of production relations should arouse our great attention. Their role, prospects for their future development and other related questions should be subjects for further investigation and study.

The concrete forms of the right to own, occupy, control and make use of the means of production within the economy of the whole people and the collective economy, of the system of management and administration, of labor organization and of the system of distribution. This aspect is indeed controversial. The responsibility system of relating renumeration to output being enforced in the collective rural economy is an innovation. It established the link between the peasants' income and labor results, effectively implemented distribution according to work and mobilized the peasants' enthusiasm. On the contrary, the economy of the whole people such as industrial and mining enterprises has failed to solve these problems satisfactorily. Many enterprises are still practicing egalitarianism. They did not give inadequate bonuses, yet economic results were poor. It seems that some industrial and mining enterprises have no alternative but to adopt the economic responsibility system of basing renumeration on output practiced in the rural areas. However, industry is much more complicated than agriculture. The concrete measures are still to be studied thoroughly. I feel that at present, the key to creating concrete forms of economic relations which are compatible with the condition of the productive forces within the economy of the whole people in industries and mines lies in satisfactorily solving the problem of integration of power, responsibility and profit. We must study how to closely relate the overcoming of egalitarianism to the reform of the wage system and to strengthening the responsibility system through various concrete forms.

Socialist production relations are a completely new production relations in human history. They must be gradually perfected in the course of socialist practice. By searching for and creating concrete forms of production relations which are compatible with the development of the productive forces, we will enable socialist production relations to gradually improve and to better bring their strong points into play. As long as we faithfully observe the principle that production relations must be compatible with the nature of the productive forces, conduct in-depth investigation and study, do a good job in summing up experience and respect the people's will, we will surely be able to create concrete forms of socialist production relations which are compatible with the requirements for developing the productive forces and with the people's interests.

**Liang Wensen, Pei Junsheng: Only By Persisting in the Party's Leadership Over the Cause of Socialist Construction Can We Continuously Advance**

The past 32 years since the founding of the People's Republic is a history of the CCP's leadership of the people of all nationalities in the country in struggling for the socialist cause. The "Resolution on Certain Questions Concerning the History of Our Party Since the Founding of the PRC" passed by the 6th plenary session of the 11th CCP Central Committee took Marxism-Leninism-Mao Zedong Thought as guidance and realistically summed up the party's historical experience and lessons. It fully takes account of and affirms the achievements and successful experiences we had gained, while also taking note of past mistakes and setbacks, incisively analyzing the subjective and objective causes of mistakes and also further pointing out the correct road to socialist modernization which is compatible with our national situation. The "resolution" pointed out: "It is impermissible to ignore mistakes and cover up mistakes. This by itself is wrong and it will lead to even greater errors. However, our achievement in the past 32 years is still the main aspect. To ignore or negate our achievements and to ignore or negate the successful experiences in attaining these achievements is also a grave error." This analysis and judgment conforms with historical truth.

In the past 32 years, although we travelled a tortuous road, under the party's leadership, our socialist economic construction was still able to gain enormous achievements. This provides the development of the building of the four modernizations with a relatively solid foundation and a forward base. We must absolutely not belittle and underestimate this basic aspect.

After the liberation of the whole country, within a short period of 3 years, we healed the wounds left by long years of war, completed land reform in the new liberated areas, confiscated bureaucrat capitalist enterprises and converted them into socialist state-run enterprises, unified economic and financial work in the whole country, stabilized commodity prices and rapidly rehabilitated the national economy which suffered great destruction in old China.

On the basis of the rehabilitated national economy, the party adopted the timely general line for the transition period upon Comrade Mao Zedong's suggestion. Under the guidance of this general line, we established and developed the socialist economy, started orderly economic construction with industrialization as the central theme, basically completed the socialist transformation of the system of private ownership of the means of production and eliminated the exploitative

system. The exploiting class no longer exists as a social class. After some time, most of its members had been remolded into workers who earn their own living. The party effected the change from new democracy to socialism step by step. This is an extremely important change and achievement in our history. The establishment and consolidation of the socialist system is the foundation for any future progress and development.

After socialist transformation was basically completed, the system of public ownership of the means of production has come to occupy a position of absolute predominance in our country. Then, the party led the whole people to engage in overall socialist construction on a gigantic scale. After arduously laying the foundation, we have initially built an independent and relatively complete industrial system and national economic system. The basic industries, particularly the materials industry saw great development; industrial sectors have become relatively complete and many new industrial sectors were established; the machine building industry provided a great amount of technological equipment to agriculture, industry, communications and transportation and other sectors of the national economy; (according to rough estimates, 80 percent of equipment used in basic industries were domestically manufactured); production of the consumer goods industry also developed correspondingly. (Particularly in the past 2 years, the light and textile industries have experienced rapid development and their growth rate has surpassed that of heavy industry.) The establishment of an independent and relatively complete industrial structure enables us to independently build socialist modernization and to possess a greater capability to digest and absorb foreign investment and technology, in order to better implement the policy of self-reliance in the main and foreign aid as a supplement.

Over the 100 years or so from the Westernization movement during the late Qing Dynasty to 1949, our country merely accumulated a total of 12.8 billion yuan in industrial fixed assets. On the other hand, over the 32 years after the founding of the People's Republic, our industrial fixed assets increased by 400 billion yuan if computed by original value or by nearly 300 billion yuan if computed by net worth. This is 20 or 30 times that in the 100 years or so before liberation. Since the founding of the People's Republic, we have built hundreds of thousands of industrial and communications enterprises. This creates favorable conditions for our future efforts to realize the shift from extensive to intensive means in expanded reproduction and the shift from extensive to intensive operations in agriculture. In the foreseeable future, except for some urgently needed items in energy and transportation, basically, we will not build new enterprises but will rely on existing enterprises. In industry, we will mainly rely on more than 40 million staff and workers and the existing 370,000 enterprises to engage in intensive operations. As long as they tap their potentials and engage in necessary technological restructuring, they will be able to create more material wealth. For our technological force in achieving modernization, we will also mainly rely on the millions of technological personnel who graduated during the 1960's and 1970's and who have undergone tempering and the great number of skilled workers who were trained after liberation to create a technological level of the 1970's and 1980's.

With the support of industry and other sectors, significant changes have occurred in the conditions of agricultural production and productivity has tremendously

increased. Comparing 1980 with 1952, grain output has increased by 100 percent and cotton output also by 100 percent. With merely 7 percent of total arable land in the world, we have basically solved the problems of food and clothing of nearly one-fourth of the world population and changed the situation of hunger and cold in old China.

On the basis of the development of production, urban and rural commerce and foreign trade also grew significantly. There has also been great progress in education, science, culture, health and sports. The people's livelihood has significantly improved compared with before liberation. In 1980, per capita consumption in urban and rural areas (deducting the price factor) rose by nearly 100 percent over that in 1952. Furthermore, the composition of the people's consumption pattern has also begun to change. The proportion of consumption for food has dropped, while that for clothing and daily items has increased. The health level of both urban and rural people has also improved tremendously and average life expectancy has become much higher. From the former "sickman of Asia" our country has leaped to the present position of "giant of the East." This is a great change which was by no means easy to attain.

Of course, we do not deny that our achievement is still unsatisfactory compared to the great amount of labor expended and natural resources consumed. This was mainly caused by the leftist errors in our economic work. We were too impatient to get results, such as during the time of the "great leap forward" in the 1950's. In particular, an all-encompassing and long-term grave error such as the "great cultural revolution" made us unable to achieve even greater results which we should have been able to.

However, our party has the courage to face its own shortcomings and errors. It is able to take Marxism-Leninism-Mao Zedong Thought as guidance and rely on the unity of the whole party to overcome its own shortcomings and rectify its own errors. Hardly any other political party can do that. Particularly after the 3d plenary session of the 11th CCP Central Committee, through a series of arduous work, the task of bringing order out of chaos in the party's guiding ideology was completed. Today, our party is stronger and more powerful. We can absolutely trust that the CCP, which has been tested by complicated struggles over a long period of time, and has the courage and ability to lead the whole people, and surmount every difficulty to win new victories. Historical truth tells us that without the CCP, we cannot realize a modern socialist China. It is only by persisting in the party's leadership that the cause of building socialism can victoriously advance and continuously progress.

CSO: 4006/34

## NATIONAL POLICY AND ISSUES

### SHANGHAI PAPER ON DEVELOPMENT AMID READJUSTMENT

HK120937 Shanghai SHIJIE JINGJI DAOBAO in Chinese No 49, 7 Sep 81 p 3

[Speech by Meng Zhaowen [1322 2507 2429], Head of Management Science Study Group of Chinese Academy of Science Given at Beijing Forum on Economic and Social Development Strategy: "Tentative Discussion on the Possibility of High-Speed Economic Development in China During the Readjustment Period"]

[Text] Now the party Central Committee has formulated the eight-character policy of "readjusting reforming, consolidating and improving" to be implemented nationwide to the whole national economy, and it has also pointed out that economic construction must conform to our national condition. This is very correct and fits in with the actual circumstances. The very purpose of readjustment is to make still better progress and to have more rapid development.

Since the third plenary session, with constant criticism on the "leftist" errors in the guiding thinking in relation to capital construction, we have adopted some important policies and measures. As a result, agriculture and light industry have undergone comparatively significant development. The internal structure of industrial production is also undergoing reform and has achieved rather important results. Meanwhile, we have acquired a very deep understanding of our country's national condition as well as its objective economic laws, and some of the acute contradictions that have been existing in our economy are gradually being revealed. In the process of readjustment and rectification, as quite a number of enterprises are retreating naturally government revenues are being affected and an inertia has appeared in the turnover of funds. Then, is it true that in the process of readjustment we can only take a passive position and keep waiting? Can we not take a more active position? Actually, there are other patterns practicable for the economic development of our country. We can give full play to our economic potential, satisfy the needs of our people, and enable the development of our national economy to proceed at a suitably high speed.

Now the discrepancy between the investment scale of our country and the corresponding supply capacity of such an investment (the net output value of the departments producing the means of production) is comparatively large. The supply capacity is greatly in excess of investment. However, as a result of the lack of investment, a considerable part of our production capacity is being kept idle without playing its role.

In recent years, much has been mentioned in the press about the fact that the growth rate of the means of subsistence has surpassed that of the means of production, and even the fact that the value of output of the means of subsistence has surpassed that of the means of production, and such performances are cited as achievements of readjustment. Actually, it does not follow that the bigger the proportion of the production of consumer goods, the more rational the economic structure. Rather, what we want is an appropriate proportion between the two.

The energy and supply departments take a good proportion, yet they cannot meet the demand. This is mainly due to a poor rate of utilization and the inappropriateness of variety and specification. The proportion of the manufacturing industry is not too large, but a bit too small, and therefore should be increased. In the economic readjustment, the manufacturing industry has been regarded as baggage and is finding it difficult to play its role. This is due to the fact that in the past many general assembly plants and all-purpose plants were inappropriately set up, causing duplication of production capacity and leaving really needs production facilities unorganized as well as many gaps and products in short supply.

Now, the demand in the countryside for industrial consumer products and construction materials is increasing by a big margin. It is estimated that by 1990 the domestic purchasing power will increase to 370 to 400 billion yuan.

In order to ensure equilibrium between social production and consumption as well as all-round development, up to 1990, the scale of investment of several major sectors will be as follows:

1. In order to change the situation of high consumption and low efficiency that has been in existence for a long time in industrial production, it is necessary to undertake the necessary technological improvement in the metallurgy, chemical engineering, machine building, construction material and electric power industries as well as the consumers' sector. Approximately 250 billion yuan will be needed for investment in this aspect.
2. In order to satisfy the current urgent needs and to provide a good foundation for the years after 1990, an investment of approximately 200 billion yuan will be needed for the energy sector and its corresponding sea ports.
3. An investment of approximately 100 billion yuan is needed for developing agricultural production, protecting and improving the ecological environment, and for the setting up of necessary food and agricultural product processing industries in the various counties.
4. With regard to investments in facilities for social consumption and welfare, such investments comprised 28 percent of total investments in the first 5-year plan. Later on, it was reduced to 10 percent. The reduction of expenses in this field can only postpone consumption, leaving the contradictions unsolved in actuality. About 100 billion yuan will be needed to make up for what has been postponed. Added to this is the expansion of construction for the coming 10 years. Altogether 200 billion will be needed.
5. About 100 billion yuan of investment will be needed in the field of science and national defense.

The grand total of the above amounts to 850 billion yuan, a rough estimate and an approximate scale for illustrative purposes. As the production capacity of the manufacturing industry will be still expanding year by year, there will not be much of a problem in satisfying the needs of such a scale in terms of the total supply capacity.

In the past, comparatively speaking, we paid more attention to capital construction. Now, we have already a rather large base. If we put the emphasis in development on the improvement of technology, not only time is saved but also effort and money.

Now, in the production sector there are the following shortcomings: high consumption, low efficiency, backwardness in technology and products, and lack of competitiveness on the international market. In the past, due to the lack of funds, generally speaking technological improvement was only undertaken in a fragmentary way and no systematic and overall planning was made. Consequently, the results were not very evident. We must make up our mind and be resolute and thoroughly improve this. The key lies in specifying a definite target and procedures as well as formulating a good plan.

The target for technological improvement is to double the value of industrial output in the 10 years roughly on the basis of the present raw material and energy (with small increments).

In the case of the advanced countries, with the same amount of consumption their value of output exceeds ours by 100 to 400 percent. Our tentative plan is to double the value of output. Despite the difficulty of accomplishing this, it is by no means impossible.

According to this tentative plan, the investment in technological restructuring and renewal of equipment will be 20 to 60 percent less than that in capital construction, and a time saving of one-third to one-half will be achieved. Taking the present total value of fixed assets as the base for estimation, the total investment would be 250 billion yuan. With such a preliminary target and controlling figure, it is possible to consider a general project for technological restructuring.

As to the procedures for technological restructuring, we will start from reduction of energy consumption.

In the period from 1955 to 1975, energy consumption was about the same in Japan and our country, but the value of output in Japan was 400 percent greater than ours. The present level of our industrial technological equipment is about the same as that of Japan in 1955, perhaps a little better. If we begin undertaking this matter right now, we can also achieve the end of modernizing our equipment as well as producing more output for the satisfaction of the people's needs.

Of course, many factors being incomparable between Japan and our country in the matter of energy consumption, it is difficult to raise the rate of efficiency of energy consumption to that of Japan in a short span of time. However, if technological restructuring is made in the field of metallurgy, chemical engineering, industrial ovens, electric power, communications industries and the civil consumption sector as well as the composition of products, it should be said that an increase of roughly 10 percent in the general rate of efficiency of energy consumption is technically possible.

The performance index of the industrial products of our country is comparatively low. Of the 26,000 mechanical products, the design of 60 percent is prior to the 1950's. The energy consumption of boilers, electrical equipment, air blowers and so on is 10 to 20 percent higher than that of the advanced index. In this respect, planned replacements, renewal as well as the development of new products will be needed. Only by ensuring good performance in this fundamental work will it be possible for us to shift our national economy to the track of modernization.

Such a transformation process is only possible on the basis of a developing national economy. It is only with constant factory orders that product designs and technological restructuring can be earnestly undertaken. If the funds of factory orders are blocked, the enterprises will be out of funds for undertaking transformation, and the whole cycle will be interrupted, and everything will become empty talk. Now quite a number of major state-owned factories are operating below capacity and they are looking for assignments by themselves. This upsets the division of production and the system of cooperation, and causes waste in manpower and supplies. This is not the normal state of the national economic readjustment, and is harmful to the future development of production. If we are real believers of Marx's doctrine of labor creation of value, by formulating a good readjustment plan and utilizing the present funds of the enterprises, it is perfectly feasible to motivate the cycle of technological restructuring and the situation will become very favorable.

Of the thermal power plants in our country, about 20 million kilowatts are generated by medium-temperature and pressure, small-sized generators. Their consumption is high and output low. If they are all converted into high-temperature and pressure generators, about 20 million tons of coal can be saved annually. This is also equivalent to the addition of 5 million kilowatts of new generators, which can boost electricity generation by about 30 billion kilowatt-hours. This is equivalent to 10 percent of the electricity generation of our country. If this newly added electric energy is applied to production, about 10 billion yuan of material wealth could be created annually.

Then, is such a transformation possible? In terms of a general installed capacity of 25 million kilowatts, an investment of 15 billion yuan is needed. The needed supplies (including those indirectly needed) are mainly as follows: 10 billion kilowatt-hours of electricity, 1.1 million tons of crude oil, 250,000 tons of steel products, and 19,000 tons of copper. In terms of the production capacity of the first ministry of machine building and certain other departments concerned, the whole transformation would take about 8 years.

In the process of the transformation of power plants, consideration can also be given to integrated utilization of resources. For example, the utilization of powdered coal ashes from the power plants for making cement is a well developed technology. The use of waste ashes in making cement not only increases value of output, but also alleviates contamination of the environment.

The other industries can also identify the key sectors in which technological restructuring should be undertaken first. When part of the energy and supplies are saved according to plan throughout the country, technological restructuring can be extended to a wider scope until it covers the whole country.

The lack of funds is a manifestation of the inadequacy of surplus labor supplied by the society, but this does not imply that such a supply is not feasible. A combined study should be made of the possibility of the supply of funds and its allocation.

There are various ways to find sources of funds, such as expanding the production of consumer goods, the development of tertiary industry, the floating of foreign debts, the importation of foreign capital, and so on. The most important ones, however, are the enhancement of labor productivity and the expansion of planned investment.

In the past, we blindly produced many products which had no use value and were of little economic effect. Moreover, we left out many things which we should have done in our plans. This brought the consequence of the divorce of funds from physical products, causing the funds to remain idle without making any turnover on the one hand, and leaving no funds for investment for the products which were needed and could have been produced.

If we have a well defined production aim and produce what we need, making the compensation of materials and value completely complementary, then once the needed products are produced, invariably there can be found the corresponding funds in the general capital. Therefore, the problem of funds could cause no problem.

We have been talking about the lack of funds, and yet plants, equipment, manpower, technology, and the reserve of materials are themselves funds. However, without the "prime mover," that is, the planning of investment, nothing can be motivated and no new value can be produced.

Take a 100,000 kilowatt turbogenerator as an example. The generator costs 6.7 million yuan, of which raw materials comprise 49 percent, wages and management expenses comprise 14 percent, and profit and taxes comprise 37 percent. The percentage make-up of the various industries may vary, but roughly speaking all comprise the same constituents.

If the electricity department had not purchased the generator from the turbogenerator factory, the factory would have paid the wages and management expenses just the same and the circulating funds would have been tied up all the same. Thus, the factory not only would turnover no profit and pay no taxes to the state, but would have consumed the profits of other factories. If purchase orders were made, such factories would operate normally. While they turn over profits to the state, the factories and mines that supply the materials also increase their production and turn over part of their profits to the state.

Here, we should notice that the physical form of profit we refer to here is the turbogenerator, which can be used only in the construction of the electric power industry, and nothing else. Hence, we can raise a question in the reverse way. Do we need the generator? If we do, we should organize such production and make it hand over its profit to the state and take its corresponding share of the general capital of the state. To put it in another way, produce what is needed and make physical and value compensation fully complementary.

The factories that manufacture equipment for power stations in our country are operating at partial capacity. If the electricity departments place their orders with the machine building factories, this would necessarily cause a string of other factories to place their orders in turn. The management expenses, wages and other expenses of these factories would in the final analysis also become certain physical material consumption, dependent on other factories for the production of these materials and exchanges are made among these factories. Again, these factories also have their profits to turn over to the state. This is similar to the calculation of the total consumption of the products, in which case the total profits of the factories concerned are equal to the total investment made by the electricity departments, and no financial loss could possibly be involved.

The above analysis shows that the scale of economic activities of our country are 10 to 30 billion yuan less than their normal level. This is the main factor for which government deficit can provide no solution. Adding a number of tens of billions of yuan of investment will not cause government financial deficits. What we should pay attention to is their correct usage and improvement of management methods.

In short, developing production is the fundamental way for getting rid of the latent dangers of our national economy. The same can be applied to our economic tasks. Adopting urgent measures temporarily is quite necessary, but by and large the problem can only be solved in the process of movement and circulation. The series of difficult problems of government deficits, employment, social consumption, and so on, can only find their solution in the process of development. Only in the process of development can we expect to have our economy rationally readjusted step by step. It is development which makes possible the combination of socialist material and spiritual civilization, enlivens our national spirit of working hard to strive for a strong country and enable ourselves to stand on our own feet in the family of nations.

CSO: 4006/27

## ECONOMIC PLANNING

### DEFINITE GROWTH RATE DEEMED NECESSARY DURING ECONOMIC READJUSTMENT

Beijing GUANGMING RIBAO in Chinese 12 Sep 81 p 3

[Article by Gu Ming [7357 2492] and Tang Shaoming [0781 4801 2494]: "A Certain Growth Rate Must Be Maintained During the National Economic Readjustment"]

[Text] Great achievements have been made in the policy of further readjusting the national economy since the work conference of the Central Committee in December last year. The leftist guiding ideology has been further corrected in economic work; the capital construction projects which were beyond the national capability have been reduced; the overemphasis of heavy industry and the self-serving cycle have been changed; and light industry has been developed. Most gratifying of all is the situation in the countryside where various forms of responsibility system are now in popular use. Despite serious disasters this year, a good national harvest can still be expected. The market is brisk in both urban and rural areas. In the first half of this year, the volume of retail sales exceeded that of the same period last year by 9 percent; people's savings deposits have increased by a fairly wide margin; and the withdrawal of currency is proceeding smoothly. This fine situation has not come easy and should be carefully cherished and energetically developed.

However, we must also note that the readjustment of a national economy, which is seriously out of proportion, cannot be easy. We are now confronted with many problems and difficulties. As things now stand, there are more problems and difficulties in industry as clearly shown by the very slow industrial growth in the first half of this year. Compared with the same period last year, it has increased by only 0.9 percent. This situation should deserve our great attention.

It is quite natural that industrial production may decline during a major readjustment of the national economy. Some capital construction projects have to be halted; some plants have to be closed or half-closed, and others have to be amalgamated or converted to produce other lines of products. Production of these plants has naturally declined. The majority of the plants to be closed, suspended, amalgamated and converted are engaged in heavy industry, and their output value is generally fairly high. In the first half of this year, light industry developed very rapidly, and its output value increased by 11.6 percent. The output value of certain branches of the heavy industry has also increased, but this increase cannot make up for the decline of heavy industrial production as a whole. This is the main cause of the reduced growth rate of the national economy.

We should also note the other factors that may affect the national economic growth rate. The idleness, laxity and inertia in the leading bodies of some enterprises are out of place in the new situation. Some people have even disregarded the state's interests and ganged up with unscrupulous elements in working against the state by violating laws and disciplines. In industrial management, some policies and measures have been formulated without taking into consideration the difference between good and bad management, and thus cannot insure greater economic benefits for well managed enterprises. The result is "eating out of the same pot provided by the state." In distribution within the enterprises, the principle of "more pay for more work, less pay for less work, and no pay for no work" cannot be effectively implemented. The result is, again, "eating out of the same pot provided by the enterprise." Equalitarianism in these two forms has seriously affected the morale of the enterprises and their workers and staff members.

Because of these objective and subjective factors, the rate of industrial growth in the first half of the year has markedly declined.

In the opinion of some comrades, there is no need to worry about the growth rate, because as soon as the proportionate relationship of the national economy is well adjusted, the growth rate will automatically increase. It is true that readjustment is the central task of the moment, and it is beyond doubt that sufficient retreat must be made, if a retreat is necessary at all. Furthermore, there should be a proportionate relationship before a high growth rate is possible. However, we must also be aware that the readjustment is a somewhat long-term task. If there cannot be a certain national economic growth rate throughout the period of readjustment, it will be harmful to national economic development. In addition to developments in future, it may also affect the readjustment going on at present. The question of a national economic growth rate is in essence the question of whether it is possible at all to raise the capacity for expanded reproduction and the people's standard of living, and, if possible, whether the raise will be quick or slow. The growth rate is in direct proportion to this raise, because the quicker the national economic development, the greater will be the increase of social products and the newly created value. The scope of expanded reproduction and the extent of the improvement of people's livelihood are determined by the growth rate of social production and the newly added value. Without the assurance of a certain growth rate, we will not be able to carry out expanded reproduction or to improve the people's livelihood; sometimes, even simple reproduction and the maintenance of the people's present standard of living may be impossible. If such a situation should continue, there will be an economic recession with serious consequences. Therefore, while attending to readjustment as our main concern we must never overlook the question of growth rate, and every effort must be made to maintain a certain growth rate.

Other comrades pointed out that there was also a readjustment in the early 1960's, when the national economic growth rate was very low or even below zero. Since the question of a economic recession did not arise then, they wonder why should there be so much stress on the growth rate now? This question can be easily answered if we will compare the two readjustments. They certainly have many similarities, and we should carefully learn from, and make use of, the experiences of the first readjustment. However, we should pay even greater attention to the study of their differences, otherwise, we cannot solve the present problems. The first difference is that the task involved this time is much heavier and more time-consuming than the previous one, because different sectors of the national economy are now more seriously out of proportion. During the first readjustment, the projects to be halted and the

enterprises to be closed, suspended amalgamated and converted were mostly small and indigenous ones, whereas the present readjustment involves many modern projects and enterprises. The situation is now much more complicated. The second difference is that during the first readjustment, some 20 million workers were organized to go to the countryside, and their relocation greatly reduced the burden of the state and the cities. This time, however, instead of any reduction of workers, there is the problem of providing jobs to the young people. If we fail to maintain a certain growth rate now, economic stability can hardly be guaranteed, and even social stability may be jeopardized.

Still other comrades held that since great efforts have been made in overcoming the leftist tendency to strive for high targets blindly, stress on a growth rate now would mean a recurrence of the old malady. It is true that striving for high targets and high speed blindly regardless of a disproportionate national economy and our actual capability has long been the cause of our unhealthy economic guiding ideology, and it is entirely correct for it to be repudiated and overcome. However, this does not mean that we do not want speed—a fairly high speed based on our actual capability. We are at all times convinced that with the elimination of exploitation under the socialist system, we should, and can, have a higher rate of national economic growth than that of capitalism, and we did have high national economic growth rates in the 1950's and 1960's. There is a basic difference between the high growth rate achieved under correct ideological guidance and based on the superiority of the socialist system on the one hand and the kind of growth rate obtained under leftist ideological guidance and through rash acts which are detrimental to the proportionate relationship of the national economy on the other. We should not call it a recurrence of leftist ideological malady at the very mention of growth rate. Of course, we should not, and cannot, demand a high growth rate during the present readjustment; however, we cannot be without a certain growth rate either. As long as we have an accurate understanding of this problem and adopt the necessary measures, we should be capable of maintaining a certain growth rate.

To increase the national economic growth rate in light of the present situation, it is very important that we should carefully wind up the work of halting projects and closing, suspending, amalgamating and converting the enterprises, so that their productive capacity can still be utilized instead of being left idle. Unused productive capacity, either in the form of machinery or labor power, means consumption instead of production of wealth, and this is a great waste for the society. Therefore, we must quickly help these units convert to the production of readily saleable goods and minimize the period of suspended business operation. In this connection we are experiencing serious difficulties in dealing with the metallurgical and machinery industries. They are now endeavoring to adapt themselves to the new situation by readjusting their orientation of service. Instead of going around in circles aimlessly, their production process is now geared to serving agriculture, a light industry and people's daily life, with gratifying results. For example, even such a large metallurgical enterprise as the Anshan Iron and Steel Company has changed its orientation of serving only the heavy industry and newly set up three production lines specially for the production of high frequency electric welding tubes and galvanized sheets urgently required by the light and textile industries. Besides meeting these requirements, the company has also developed its production and increased its profits. To cite another example, the machinery manufacturing departments under the First Bureau of Machine Building in Tianjin has readjusted its orientation of service since 1980, and supplied hundreds of special machinery items and thousands of sets of auxiliary equipment in addition to designing and setting up a number of production lines and

offering various technical services for the light and textile industries. Furthermore, it has produced hundreds of thousands of durable consumer goods for the market. Needless to say, heavy industry departments have the responsibility of carrying out renovating and outfitting jobs for the national economy with up-to-date technology. In this connection, we should take a long-range view of the situation and work out our plans accordingly. For example, large power generating and coal extraction equipment will still be required in the next several years, and the production of such equipment take a long time. Therefore, this production should be planned now. Furthermore, we have in our country a large number of boilers with high energy consumption and low efficiency. If we have the determination to carry out technical renovation, we should plan for these boilers to be renovated within a certain time, so that their energy consumption will be lowered and their efficiency raised.

To raise the growth rate of the national economy, we must now carefully attend to the work of enterprise consolidation and the establishment of an economic responsibility system. These are the most practical methods of tapping the potentials of enterprises, improving the economic results, and accelerating economic development. The key to enterprise consolidation is to streamline the leading bodies and at the same time strengthen ideological and basic work among the enterprises; and to raise economic management efficiency, provide more active supervision, and overcome departmentalism. Enterprise consolidation should go hand in hand with the establishment of the economic responsibility system. Only a system of economic responsibility can effectively overcome equalitarianism—which is now quite serious—and arouse the enthusiasm of the enterprises and their workers and staff members. Some localities have adopted the system of responsibility for profits, and some enterprises under favorable conditions have adopted the piecework wage system or above-quota piecework system, all with remarkable success.

There is still great potential to be tapped in raising the growth rate of our national economy. The fixed assets of our state-run enterprises are by no means little, but the economic results have been very poor. In 1978, for example, the ratio of fixed assets of state-run enterprises throughout the country to their total output value was approximately 1:3. If we can only raise the ratio of output value by 1 point, it will mean an increase of tens of billions of yuan. Therefore, as long as we can make all out efforts to continue the work, which has proved to be effective, we can certainly overcome the difficulties, tap the potential, and maintain a certain growth rate during the readjustment period.

9411  
CSO: 4006/503

ECONOMIC PLANNING

BRIEFS

GUANGZHOU ECONOMIC RESPONSIBILITY SYSTEM—With the approval of the Guangzhou Municipal Revolutionary Committee, six Guangzhou industrial bureaus, namely the Light Industrial Bureau, the Number 2 Light Industrial Bureau, Electronics Industrial Bureau, Petrochemical Industrial Bureau, Rubber Manufacturing Bureau and the Machine Building Bureau implemented an economic responsibility system of signing contracts for profits in the entire trade, beginning this year. In implementing this economic responsibility system, the six trades uphold the principle of submitting basic production quotas to the state and dividing and retaining a certain portion of profits for a period of 3 years. For profits obtained as a result of overproduction, the light industrial, the number 2 light industrial, rubber manufacturing and machine building bureaus are allowed to retain 35 percent of the profits, submitting the remaining 65 percent to the Municipal Financial Bureau; while the Electronics and Petrochemical Industrial Bureaus are to equally share their profits with the Municipal Financial Bureau. The industries must ensure the fulfillment of production quotas and are responsible for losses, if any. The profits retained are to be used for technical revolution and welfare of the workers. [Guangzhou Guangdong Provincial Service in Mandarin 2330 GMT 10 Sep 81 HK]

CSO: 4006/27

FINANCE AND BANKING

BANKS URGED TO SUPPORT ECONOMIC DIVERSIFICATION IN COUNTRYSIDE

Jinan DAZHONG RIBAO in Chinese 28 Aug 81 p 2

Commentator's article: "There Are Good Opportunities for Financial Institutions To Support Economic Diversification in the Countryside"

Text In the past 2 years, rural financial institutions in our province have continually readjusted the structure of their agricultural loans. Heavy support for farm-land capital construction by communes and production brigades and concentrating solely on grain production, has gradually shifted to a program of continued sufficient support for grain production, and heavy support for economic diversification. The proportion of all agricultural loans used to support economic diversification has been gradually increasing, and this is playing a remarkable role in enlivening the rural economy and increasing the peasants' income.

Success in supporting economic diversification is attributed to the efforts of the units in implementing the spirit of the Third Plenary Session of the 11th Party Central Committee, eliminating "leftist" influences, emancipating their mind and adopting flexible policies. Some units are not so successful mainly because they are lagging behind in these respects. Hereafter, if we want to insure the availability of capital for the rapid development of economic diversification in our province, we must eliminate "leftist" influences and have a better understanding of the importance of developing a diversified economy.

Some comrades in the rural financial institutions have a certain psychological "fear" of supporting economic diversification--the fear that the loans granted may not bring about good economic results and consequently cannot be redeemed. Therefore, they are beset with worry at the thought of extending loans to support household sideline occupation. We agree that stress on economic results and worry over the redemption of loans are justified, because, if the economic results are poor--meaning business losses--and the loans cannot be redeemed, not only the state, but also the collectives and the commune members have to suffer losses. However, in stressing economic results, we should also pay attention to our work. These comrades should cooperate with the relevant departments in conducting serious investigations and study and keep themselves well informed of the conditions of resources. After careful comparisons, they should help the chosen collectives and commune members bring out their local strong points and adapt measures to local conditions in developing their production. At the same time, they should avail themselves of the strong points of banks, such as their wide range of contacts and their abundant sources of information, and take the initiative to arrange contacts for the communes and production brigades or to clear the

channels between production and marketing. As long as these jobs are accomplished, there will generally be good economic results. Many banking centers and credit cooperatives have gained good experiences in so doing. Some comrades have said: "There are many strong points available; the main question is whether or not people will look for them." These words make a lot of sense.

In the countryside, many commune members are very adept in sideline occupations and stand out because of their increased income. As long as their business is legitimate under party policies, their income is right and proper. We must not be afraid of giving these peasants continued support simply because they have already made more money than others have. All commune members, rich or poor, should be actively supported in their household sideline occupations. Of course, misuse of loans or even speculation and profiteering must be checked, and the banks or credit cooperatives can, in coordination with the relevant departments, use credit as a means to combat illicit activities carried out in the guise of sideline occupations.

Another tendency is that some comrades are keeping their eyes on only the large projects which may yield immediate benefits and ignore the small ones which may not yield profits so quickly. These comrades are concerned with only single transactions but not comprehensive ones, and with only the immediate but not the distant future. As a result, support for economic diversification economy fails to make much headway. We believe that as long as they can make a right choice, it is quite proper for them to support some communes, production brigades or teams, and even individual commune members in undertaking large projects suitable for the local conditions; but small projects cannot be ignored. Both large and small projects should be encouraged, because some small projects, such as the raising of rabbits, tuyuan [0960 0337] and sables can be very profitable. We have to increase the sources of revenue and make greater efforts in this direction. The projects may be small, the varieties of products may be complex, and the profits may be little; however, we will have more to gain from increased sources of revenue. There should be coordination between long- and short-range plans. We should give priority to the support of such projects as industrial sideline production which yield quick benefits, but we should not neglect those steady and reliable projects requiring long periods to yield products of long lasting value, such as the planting of trees, including fruit-bearing trees. In developing long- or short-range projects, we should help the communes and production brigades work out their plans in such a way that long-range projects will stimulate the short-range ones, while the short-range ones will help maintain the growth of the long-range ones.

Our province has abundant natural resources, and there are great potentials for developing diversified economy. There are also widespread banking facilities, and a close relationship between credit and production in the vast countryside, with good opportunities for the financial institutions to support the development of economic diversification.

9411  
CSO: 4006/506

**FINANCE AND BANKING**

**BRIEFS**

**JILIN SAVING DEPOSITS**--After the big increase in 1980, bank saving deposits of Jilin Province have increased in the first 9 months of 1981. The amount has risen to 1.3 billion yuan, an increase of 235 million yuan over the figure at the end of 1980. [Changchun Jilin Provincial Service in Mandarin 2200 GMT 29 Sep 81 SK]

**SHANDONG URBAN DEPOSITS**--From 1979 to mid-September 1981, Shandong Urban Deposits registered a 730 million yuan increase, surpassing the increased sum of the 1949-1978 period. In the January-August period of 1981, provincial urban deposits registered a 240 million yuan increase. The urban deposit sum has reached 1.4 billion yuan. These urban banks have prefulfilled their annual deposit plan by 100 days. According to statistics compiled at the end of September, the per capita deposits of staff and workers throughout the province reaches 275 yuan, surpassing the 1978 deposit by nearly 100 percent. Provincial urban deposits have accounted for a fourth of the funds obtained by the Provincial People's Bank. [SK301000 Jinan Shandong Provincial Service in Mandarin 2300 GMT 29 Sep 81]

CSD: 4006/27

## ENERGY

### ALTERING MAKE-UP OF ENERGY RESOURCES TO CONTROL POLLUTION

Beijing HUANJING BAOHU [ENVIRONMENTAL PROTECTION] in Chinese No 3 1981 pp 1-5

[Article by Zhao Zongyu [6392 1350 3603]: "Altering the Composition of Urban and Rural Energy Resources to Control Environmental Pollution"]

[Text] In recent years, because of the imbalance between the buildup for production and environmental protection, large and small industries have increased in number, and pollution of large areas in cities and villages is becoming more serious day by day. Especially because the composition of energy resources (fuel) is irrational, pollution brought about by the "three wastes" and energy losses have been very great, and must be solved. Energy resources and the environment are related to the building of modernization and the people's health and they are very important. Therefore, as the national economy is being further readjusted and during this period of further political stability, in order to stand firmly in the buildup of production and progress steadily, it is urgent that the two fundamental jobs of energy and environment be done well. In the following, several opinions are proposed as personal views as reference for concerned departments.

#### (I) The Question Concerning Alteration of the Composition of Energy Resources in Cities

Cities are the points of most concentrated human activity, they are also the places where science and technology and culture are most concretely manifested. Whether the composition of energy sources in cities is rational or not, whether it is advanced or not, whether it is beneficial to the lives of the people and the labor environment are all gauges of the level of modernization of energy resources in cities. Our nation's cities use coal as their main source of energy. Coal constitutes over 80 percent of the cities' energy resource, and most of it is directly burned. The rate of utilization of heat is low (15 percent), the loss is serious, and massive amounts of harmful substances and trace amounts of harmful substances including radioactive elements such as radium, uranium and thorium and other poisonous substances are released. The pollution is frightening, and urgently awaits reform. In urban reform plans to be launched soon, energy should be the key point and it should be taken into consideration. The goal of reforming the energy resources in cities is to use clean or cleaner energy resources to replace dirty energy resources, to use energy resources that are convenient to transport and to store to replace energy resources that are inconvenient to transport and to store, and to use highly efficient or more efficient sources of energy to replace energy resources with a low efficiency.

The energy resources that have not been purified or processed and which can only be used once such as the various solid combustible substances, crude oil and natural gas that contain higher contents of sulfur, nitrogen and oxygen compounds are unclean, inconvenient and uneconomical energy sources. Purified and converted reusable energy sources and thermal electric power, hydroelectric power and nuclear power stations that have implemented effective safety measures, environmental protection measures and ecological protection measures are clean, convenient and economical sources of energy. Problems of environmental protection and economic problems related in varying degrees and in general and such new sources of energy also exist. There are many specific ways to reform the composition of energy sources in cities. Those already known are mainly the following:

### 1. Gasification of coal as an energy source for civilian use in cities.

Practice over a long time at home and abroad has proven that the method of altering the composition of energy sources in cities that is recognized by all, that is technically most mature, that is economically most feasible, that is most efficient for environmental protection (large areas) is coal gasification. Abroad, in industrially advanced nations, the popularization of civilian coal gas is above 85 percent (it is 98 percent in Japan, it is above 85 percent in the United States and France), and large and medium sized cities have all basically established coal gasification for a long time. Some highly modernized cities are also developing electrification. Electric power for civilian use constitutes 30 to 40 percent or more of the total amount of electric power. In our nation, the population using gas is only about 10 million people, only 1 percent of the 1 billion people. Of the 224 large and medium cities so named throughout the nation, only about 60 have relatively outdated coal gas or oil gas facilities and supplies of liquified petroleum gas. The gap between our nation and foreign nations is large. The quality of the city environment is dropping day by day, energy in cities is wasted day after day and year after year. The state's city construction departments have already paid more attention and gasification in cities is beginning. As the national economy is being further readjusted and at this moment when investment by the state and provinces and cities is difficult, if the present method of unified arrangement by the state and carrying only about key points is not changed, gasification will be delayed further and may be difficult to realize. It is suggested that the General Bureau of City Construction of the State Capital Construction Commission organize the appropriate provincial, municipal and design departments to establish a city coal gasification construction company, cooperate with each other, use coal gas shares and coal gas loans to solicit funds and propose new types of designs varying in scope for coal gasification standards in cities, accept commissioned designs for city gasification and construction so that the work of gasification in cities can progress steadily and according to plans which may use some, but not a lot of the state's construction investment, so that large area pollution in key cities can be quickly controlled and the energy waste in the cities can be eliminated early.

### 2. Coal gasification for urban industrial energy. Our nation's industrial consumption of energy constitutes over 65 percent of the total consumption of energy. Large and small industries in the cities are relatively concentrated. Industries in large cities use 75 to 80 percent of the energy. The amount of primary energy directly burned in the various types of boilers throughout the nation reaches over 50 percent of the total energy consumption of the whole nation. Among them, 200,000

industrial boilers directly burn 200 million tons of coal, the average thermal efficiency is only about 50 percent. The nation's boilers burn 25 million tons of petroleum. After the State Council firmly demanded to substitute coal for oil, during the past two years, the burning of oil has been lessened by 5 to 6 million tons. But the oil burned away by each power network of the electric power departments is still about 13 million tons, which urgently needs replacement [by coal].

According to estimates, in 1980, the nation burned 15. million tons of petroleum (including about 7 million tons of crude oil). This amount should also be replaced [by coal] as much as possible. Because the composition of industrial energy resources is not rational, the resulting energy waste and problems of environmental pollution have become more serious and they should be reformed urgently. Coal gasification of energy resources (fuel) for industrial boilers, heating furnaces and kilns is a worldwide trend. Our nation has more coal than oil and it is an even more urgent task. Coal gasification of industrial fuel is different from coal gasification for civilian use. Civilian coal gas uses mainly medium heat value coal gas (4,000 kilocalories/cubic meter). Coal gas for industrial use can be low heat value coal gas (1,000 to 2,000 kilocalories/cubic meter). After establishing low heat value coal gas, combustion gas turbines/steam turbines can be used to establish a foundation for joint cyclic power generation to increase the thermo-electric efficiency to 40 to 50 percent and to create conditions for the development of electrification of energy resources in cities. In addition, to solve the problems of environmental pollution by oil burning boilers and heating furnaces and the shortage of oil resources, besides coal gasification of energy for industrial use, coal liquefaction is also in the research and experimental stage (with or without transition through CGM coal and oil mixtures). Power stations burning oil are not interested in coal gasification mainly because they are unfamiliar with the operation and they have difficulty handling such operation. If coal gas supply companies can be established with investment by the power industry or with bank loans and if they can sign supply contracts with the power plants, then under the guidance of the national policies of limiting the use of oil for fuel because of the shortage of oil resources, the power industry will be glad to cooperate and do the work of burning gas well.

3. The questions concerning the supply of gas for civilian use utilizing natural gas, gas produced in oil fields and liquefied petroleum gas must be considered first in regions which have oil and gas fields, oil refineries and petrochemical plants. According to surveys conducted by the Comprehensive Survey Committee of the Academy of Sciences, the use of natural gas to supply civilian use can save about three times as much coal as boilers. The use of liquefied petroleum gas to supply civilian use can also save about three times as much coal as boilers. Therefore, it is far more economical to use these energy resources to supply civilian use and they will be more beneficial to urban environmental protection. This can only be realized when concerned units increase their understanding of the importance of environmental protection give play to the great cooperative spirit of socialism, and there is vigorous support by state policies (including energy price policies).

4. The massive amount of low temperature surplus heat, including cooling water of 40° C to 50° C which is relatively difficult to utilize, waste steam, surplus flue heat (converted to low temperature water) can all be used in the network of pipes supplying heat for civilian use and for medium and small industrial and commercial

enterprises in cities. Obtaining heat sources without increasing the supply of fuel will greatly benefit energy conservation and environmental protection in cities. This can be realized only by developing the superiority of socialism and if the state or the localities establish some regulations for energy conservation.

5. New energy resources which may be utilized should be appropriately developed and the composition of energy resources in cities should be improved. Our nation has many regions which have exploitable geothermal energy. Over 2,700 localities with exposed geothermal energy have been discovered throughout the nation. Geothermal energy discoveries have been made in each China, the northeast, the Hanzhong region, Xizang, Yunnan, Guangxi, and Guangdong, Fujian, Hunan, Xichuan and Taiwan provinces. Some are in cities and suburbs (such as Beijing and Tianjin cities) which are convenient to utilize. Our nation's solar energy resources are also relatively rich. Most of the regions have over 2,200 hours of sunshine throughout the year. Collective facilities in cities (including offices, residence halls, enterprises) can utilize solar energy to provide heat, for cooling and air conditioning. Most of the new energy resources are not concentrated, the supply of energy is unstable, the investment in facilities is large, large scale utilization is still difficult but they are suited for small scale utilization and they are being developed at an accelerated rate at home and abroad. Utilization of oceanic energy, wind energy and biological energy and such energy resources by the cities is limited, but they are more suited for utilization by farm villages. But utilizing garbage for generation of electricity or for gasification in cities is a necessary measure for environmental health. Such facilities have been established a long time ago abroad and the municipal authorities should actively realize this.

6. Establishment of nuclear power stations in key cities, especially large cities that have a shortage of coal, less electric power, no oil and where the environmental problem is serious must be actively realized so that the composition of energy resources in cities can be reformed to advance towards electrification and gasification. Nuclear power stations have already proven now that the technology is mature, they are economically feasible, they are clean and safe, and they can provide energy on a large scale. Our nation has a relatively rich reserve of uranium resources that have already been discovered. Also, we have already trained some reactor research, design and construction teams, and we have the basic capabilities to develop nuclear power generation with our own efforts. Economically, investment in nuclear power is generally 50 percent higher than the investment required for building thermal power stations, but with the fuel supply system of the thermal power stations, the investment may even be larger. Nuclear power generation may cost 20 to 50 percent less than thermal power. The greatest benefit is that building one nuclear power station with a capacity of 300,000 kilowatts can save 1 million tons of coal a year, reducing the amount of shipment of 1. million tons of coal and 700,000 to 300,000 tons of ash and dregs. At the same time, nuclear power stations do not have a combustion process, there is no release of chimney gases and harmful substances. The effects of radioactivity under a series of safety measures is negligible, several times less than the radioactive pollution from uranium, thorium and radium contained in the unsettled coal produced by a coal fired thermal power station of the same scale and similar to the radioactive pollution released by an oil fired power station.

7. Alteration of the composition of energy for passenger transportation in cities should not be delayed. Passenger transportation in cities develops as

modernization of cities develops. Motorized vehicles continue to increase, the energy consumption continues to rise, and pollution becomes more serious. Pollution due to exhausts from vehicles with internal combustion engines in cities mainly pollutes the air several meters above the road surface and it is extremely harmful to the city residents. According to statistical data compiled by the engineering design institute of the Tianjin City Administration, the amount of transportation in cities has a definite proportional relationship to the value of industrial production, the square meters of capital construction and light industrial products. Abroad, private vehicles develop rapidly, because of a shortage of petroleum, this development has reduced, and the benefits of energy conservation of mass transportation is being advocated, but old habits are difficult to change and the results cannot be predicted easily. Our nation's social system is different, mass transportation is the main means of transportation and it can more easily be realized. But according to understanding, vehicles for private use by each department are developing quickly and there are already over 1.35 million units. The rate of utilization of private vehicles is low, their consumption of energy is 40 percent to 50 percent higher than special transportation vehicles and they constitute 87.7 percent of the nation's total number of vehicles. In Beijing, there are already 200,000 to 300,000 internal combustion vehicles of various types and the annual growth rate is about 10 percent. Annual consumption of gasoline is about 580,000 tons. The pollution by automobile exhaust is indeed serious. Pollution in Shanghai, Tianjin and such large cities is not less than Beijing. The ways to solve this problem are as follows: (1) Trolleybuses, electric subway trains, and elevated electric trains can be used so that electricity can replace oil fuel, thus altering the composition of energy for passenger transportation. (2) Collective traffic management can be strengthened, public transportation and collective transportation should be expanded as much as possible. This can increase efficiency by over onefold. (3) Bicycle lanes or traffic regulations for bicycles should be established to replace motorized power by human power and to use food energy to replace oil energy. This can increase the energy efficiency by several orders of magnitude. (4) The fuel itself can be altered to reduce loss during combustion, such as utilizing active-combustion, highly refined petroleum fuel for internal combustion engines. (5) Non-polluting or slightly polluting petroleum substitutes can be used as fuel, including gasohol produced from coal as the raw material, methane or ethane, or mixed alcohols. (6) The gases produced by refineries and petrochemical plants as by-products can be used as raw materials to produce such high octane additives which have a high purification power as methyl tertiary butyl ether (MTBE) and tertiary amyl methyl ether (TAME) can improve efficiency and can also prevent pollution. (7) An ideal and clean fuel for internal combustion engines is liquefied hydrogen which can be used as a substitute for gasoline. Hydrogen resources are plentiful and it can be obtained anywhere, but the cost of production is high and this is very difficult to realize. In recent years, because of the development in hydrogen manufacturing technology and the jump in oil prices, according to informed sources, some nation's cost for each liter of liquefied hydrogen has approached that of the same volume of petroleum. In the long run, the use of liquefied hydrogen as fuel is technically and economically feasible and also suits the demands of the time, and it may even be unavoidable.

In general, to enable city people to enjoy a healthy life and working environment and to elevate the efficiency of utilization of energy resources to a rational level, the composition of energy resources must be altered. To assure a safe,

steady, economical and effective supply of energy resources in cities, measures should be suited to local circumstances, the structure must be multivariate, there must be comprehensive utilization, there must be a major source and secondary sources, priorities must be assigned in order of urgency, and the future must be combined with the present in the development and realization of the goals.

## (II) Alteration of the Composition of Rural Energy

The several major problems related to rural energy resources that require urgent solutions are as follows:

(1) The supply of energy to the 800 million farmers still has to be arranged. There are 80 to 100 million farm families that lack fuel for burning three to five months out of a year. The problem in farm villages of "worrying not about what is in the pot but what is underneath the pot" must be urgently solved. (2) Because of a lack of fuel, farm villages mainly depend upon plant energy such as straw, dung, wood and grass for their energy, thus fertilizers of organic matter, nitrogen, phosphorus, potassium cannot be returned to the fields, the soil texture becomes progressively weak, per mu yield has to be maintained by chemical fertilizers, and the situation is critical. (3) At the same time, the make-up of energy resources in farm villages is too irrational. Tools to harness energy are very backward, efficiency is too low and the waste is too great. For example, the thermal efficiency of the stoves in farm villages is only 10 to 12.5 percent. This must be changed. (4) Houses in farm villages are simple, the stoves are primitive, and pollution from burning is serious. (5) Because of a shortage of burning fuel, grasslands and mountain forests have been felled and exhausted, and the ecological balance has been seriously destroyed. (6) Also, processing enterprises of agricultural sideline products have continued to develop, small industries in cities have moved to the countryside, energy resources and environmental protection were not emphasized, and all of these are increasingly threatening the health of farmers and the ability of natural purification in farm villages. In my opinion, these suggestions can serve as reference in changing the composition of energy in farm villages and in increasing the efficiency of energy resources to give us back our "green ocean."

1. The state must take charge of the supply of energy affecting the 800 million farmers and environmental protection, organize concerned sectors and related scientific and technical personnel to study and establish a far sighted and practical strategic blueprint and policy guidelines for rural energy and environmental protection, and draw up a short term (for example up to 1990), a medium (up to the year 2000) and a long range (up to the year 2020) draft for rural energy and environmental protection based on the above. Some people have suggested that the State Energy Commission and the State Agricultural Commission organize studies in environmental protection strategy, policies and plans. Each province and city should also establish corresponding agencies to push forward such work.

2. The state and the localities must be determined to assign a part of the commercial energy resources (at present, this is mainly coal fuel) to communes and brigades for cooking so that straw, animal manure, firewood and such organic substances can be returned to the fields and for increasing the production of useable methane. According to surveys conducted by the agricultural engineering design

institute and the Anhui provincial survey of the Huabei region, these measures can retain fertility of the soil and can also conserve the use of chemical fertilizers, reduce energy consumption for massive production of chemical fertilizers, they can also protect mountains, forests and plants, prevent leaching and prevent the land from becoming sandy. According to estimates, the gain from increased yields and from conservation of energy resulting from these measures is sufficient to more than balance the transfer of commercial energy. The precious experience should be quickly and energetically propagandized, summarized, popularized and realized.

3. Rural communes and brigades are scattered throughout the entire nation, the energy resources are different, the composition of energy resources should be suited to local circumstances and combined with the actual situation and be selective. At the same time, farming families are scattered, the dwellings and facilities are simple, the experience in using energy is insufficient, the reward from labor is low, the conditions for energy supply should be taken care of. Therefore, the supply of energy to farm villages should be multivariate combination and comprehensive utilization, there must be primary and secondary aspects, the energy must be safe and clean, convenient to use, and it must also be economical and rational and beneficial to conservation. For this, (1) besides strengthening management and increasing the efficiency of energy production by the existing small hydroelectric power stations, small coal kilns and small methane pits, they should also be continuously developed to expand the energy supply to communes and brigades. It is known that our nation has a total of about 70 million kilowatts of small hydroelectric power resources that can be exploited, and those that have already been exploited constitute only about 10 percent. Coal and other combustible mineral resources are found in each province throughout the nation. There are now 1200 counties which have built over 20,000 small coal kilns, 18,000 of which belong to communes and brigades. They produce about 100 million tons of coal. The whole nation has built about 7 million methane pits, but there are one-third that require maintenance and repairs and are "sick pits." (2) Clean bottled fuels such as liquefied petroleum gas are most suitable for use by scattered families in farm villages. Liquefied petroleum gas should be transferred to the farm villages for use when coal gasification in cities is developed and when the supply of electric power to cities can be increased. (3) The farm villages have better conditions for small scale utilization of solar energy, geothermal energy, wind energy, tidal energy. These are all inexhaustible and they can regenerate new energy. But the investment in the facilities for the utilization of these energy resources are frequently larger, so simple, easy, economical and practical methods must be studied. These energy resources can only be popularized under the massive support of national policy. (4) Solar energy is the most significant among the rural energy resources that can regenerate new energy and that has the best conditions for development. Over two-thirds of the nation have over 2,200 hours of sunshine yearly. Solar energy resources are very rich. If solar energy can be utilized well, a lot of improvements can be made in the rural energy supplies and in environmental health. Solar energy is similar to other regenerative natural energy resources. The energy resource is too concentrated, the supply is unstable, and the facilities for utilization require large investment. Under ordinary conditions, it is very difficult to compete with ordinary energy sources, but under specific conditions it can serve to supply heat and used for cooling and air conditioning. Our nation already has solar energy powered heating facilities. It is suggested that

studies and explorations in the use of solar energy in rural areas should be launched on this basis to first design an economical, practical and simple solar energy heating facility suitable to the conditions of our nation's rural areas.

5. [sic] "Green energy resources" should be actively developed to solve the problems of rural firewood and regional environmental protection. For example, timber forests, protective forests, economic forests, firewood forests, and bamboo forests can all provide energy for farm villages through photosynthesis and can improve the ecological balance. At present, 5 percent of the total world energy consumption is provided by timber (mainly used by developing nations for domestic firewood). Timber is a renewable energy resource, and if managed well, it is inexhaustible. Because of the energy crisis, "green energy resources" are gaining more and more attention and they are being developed. Research in dense planting of fast growing firewood forests and oil bearing plants is being carried out and forest farms are being established, the age-old dry wood distillation industry has turned to utilizing remnants from felling and processing to manufacture synthetic gas and synthetic alcohol, and other such liquid fuels. Our nation now has 55 million mu of firewood forests, there are another more than 1 billion mu of wasteland suitable for afforestation. With the addition of small plots suitable for afforestation and the "four sides" for planting trees, the condition for developing firewood forests is very good. According to estimates, the yield of various firewoods in our nation totals about 160 billion jin, this amount can provide the firewood needs of the 800 million farm village population for over two months. It is known that the forestry ministry has drawn up a plan to develop forest wood. After the plan is realized, 300 billion jin of firewood can be harvested each year and this amount can solve the problem of firewood needed by a rural population of 900 million.

6. Rural energy must not exclude coal gasification. The processing industry for agricultural sideline products in communes and brigades is developing. Small industries are moving out of the cities to the suburbs. Some concentrated regions of small enterprises will be formed and following this will be regional pollution and waste of energy resources. The best strategy is to suit the measures to the locale and utilize local coal resources or coal resources of nearby regions to build coal gas facilities and utilize coal gas generating furnaces that use air as the gasification medium. The heat value is about 1,200 kilocalories/meters<sup>3</sup>, the structure of the furnace is simple, operation is safe, management is simple, and gas generators from small chemical fertilizer plants can be easily converted. It is possible that many gasification furnaces of this type are being used in large factories and can be transferred.

7. Substances abandoned by the processing industry for agricultural sideline products such as waste vegetables, fruits and meats left after processing are all combustible organic matter. They can be provided to produce methane or gasification or directly burned to produce heat and electricity. If the cities do not establish their own thermal power stations by utilizing city garbage, the garbage can be sent to the farm villages for treatment. The cities and villages can work together to change unless things into things of value. In the future, after straw is returned to the fields, the need for organic fertilizers by agriculture will lessen and abandoned substances from processing of rural products can also fill the need as raw combustible materials for gasification and power generation.

8. Fully developing the function of agricultural manpower and fully utilizing animal power and energy resources and slowing all unnecessary mechanization are effective measures to conserve energy in agriculture and to prevent pollution of the farm villages for a long time to come. According to estimates, the manpower resources in our nation's farm villages total an equivalent of  $2.4 \times 10^7$  horsepower and  $3.5 \times 10^7$  animal power. Manpower is calculated on the basis of working eight hours a day, 300 working days a year, converted into horsepower/hour. If this is done by diesel engines, 11 million tons of diesel fuel must be consumed. Animal power is calculated on the basis of working eight hours a day, 150 days a year, converted into horsepower/hour. If this is done by diesel engines, 7.98 tons of diesel fuel must be consumed. The total of the two amounts to a consumption of 18.98 million tons of diesel fuel (nearly 20 million tons). Our nation now has about 200 million horsepower of motorized farm machinery power, more than three times that of the sum of manpower and animal power, but the actual results are only one-half that of the sum of manpower and animal power. Therefore, at present and for a long time into the future, under the concrete and practical conditions of energy resources, employment and natural conditions, full development of our manpower and animal power makes sense.

In general, we must on the one hand solve such pressing problems as insufficient rural energy supplies, lack of fuel for commune members, cold meals, and on the other hand, the irrational situation which exists in the use of energy. Waste is serious, the ecological balance has been destroyed and these problems urgently require that the state and the concerned leading units of the provinces and cities concretely control the energy resources in farm villages and include the supply of rural energy in their plans so that straw can be returned to the fields, the amount of chemical fertilizers used can be reduced, the per mu yield can be increased, and the environment can be protected. The gain from such conservation is more than sufficient to balance the energy invested. But to reduce the labor intensity in agriculture, to improve production efficiency, to conserve energy used by agriculture, reform of presently available farm machinery and the study and introduction of necessary advanced technologies are also work that urgently needs to be launched.

9296

CSO: 5000/4091

**MINERAL RESOURCES**

**BRIEFS**

**JILIN GOLD OUTPUT**--Hunchun Gold Mine in Jilin Province had fulfilled its annual production and profit plans by 15 September. On 16 September, its gold output surpassed the figure set by the annual production plan by 4.2 percent and the figure set by the annual profit plan by 70 percent. [SK011033 Changchun Jilin Provincial Service in Mandarin 2200 GMT 30 Sep 81]

CSO: 4006/27

## INDUSTRY

### PRC JOURNAL ON MERGING CIVIL, MILITARY INDUSTRY

HK070743 Beijing JINGJI GUANLI in Chinese No 7, 15 Jul 81 pp 35-37

[Article by Huang Qiuyan [7806 3061 3601] of the Yunnan Economic Research Institute: "The National Defense Industry Should Take the Road of Integrating the Military and the Civil"--note passages in slantlines denote boldface type]

[Text] Since the founding of the state, the national defense industry in Yunnan Province has had considerable development. It has become a major industrial department. This department has three main characteristics: The first point is that it has a lot of good quality equipment. The provincial military enterprises have a relatively high proportion of the total number of lathes in the province. A large part of these lathes are large-scale, highly accurate and of superior quality. They also have a lot of imported equipment. The second point is the strong technological force and relatively high standard of technology. They also have a lot of senior laborers and technicians. According to preliminary statistics, there are 11 technicians for every 100 staff and workers in the provincial national defense industrial system. For every 100 scientific and technological personnel, there are 20 assistant engineers or more as the backbone, a technological force twice to three times that of civil industry. The third point is the high production capacity and high assimilation potential. This potential of the national defense industry has an important impact on and makes a considerable contribution to the building up of socialism and the struggle for national defense. In the last 2 years, it has also worked hard on developing civil products. A lot of work has been done, and good results have been achieved. According to statistics, the value of civil goods produced in 1980 takes up 44.8 percent of the total production of military industrial enterprises. It has grown 22.7 percent compared to 1979. There are four categories of civil commodities that are being trial manufactured and produced, namely: Light industry, electronics, mechanical engineering, and optics. The variety of specifications amounts to more than 300, including model 130 vehicles; 35 mm movie cameras; new collapsible telescopes that can magnify by seven times; microscopes for surgery and gravure printing. These are all included in the national plan. Some products make their way onto the international market. The new collapsible telescopes that can magnify by seven times for instance are selling well in Europe, America and Southeast Asia. They have in recent years earned \$1.8 million of foreign exchange. At the same time, it has earned some experience through work which, as it is initially understood, basically includes the following points:

//1. It hinges on the weak links of the national economy in arranging the production of civil commodities.// It should take into account the demands of the people's livelihood in both cities and countryside, market shortages and the export trade as well as the technological restructuring of all sorts of trades. On this basis, it should actively organize and arrange the production of civil products, particularly consumer goods. Last year, most of the production of civil goods was marketable. Of these, the consumer goods which serve light industry constitute half of the total output value of civil goods.

//2. Promote the characteristics of production skills and select production of marketable products.// In choosing models for civil goods and accepting orders: (1) insist on the principle that they should be commensurate with the skills and equipment of the enterprise concerned and be able to give play to the production characteristics of the enterprise concerned; (2) adopt the integration of the short, medium and long term as well as the integration of big, medium and small batches. The Xian Changzheng mechanical plant, for instance, treated the production of 35 mm movie projectors as relatively long term civil "specialized" products. Record players are treated as medium term products and television antennae as temporary minor commodities. Apart from achieving balanced production, it can also take one step forward while looking three steps ahead and maintain a steady and continuous advance.

//3. In organizing production of civil goods, speed should be emphasized.// An early, quick and new grasp must be taken of marketable products. The Xian Changzheng mechanical plant last year, for instance, firmly grasped the trial-manufacture of new products and rationalized the production lines on the one hand. On the other it pushed the sale of products. The newly marketed products include 35 mm movie projectors, polluted water treatment plants and radio-tape recorders. They were all trial-manufactured, tested, put into small-volume production and put on the market in the same year. As a result, some commodities are selling well and demand exceeds supply.

//4. Develop the advantageous position of the high technological standard and good equipment of the military industrial enterprises, tackle the new, high quality, precision top-notch products that demand a high standard of craftsmanship and technology and which can be handled by the enterprise concerned.// The Xian Yunshui mechanical plant produced high-pressure hydraulic valves for the electricity department. This filled a shortage in our country and has also become a "first" product of our enterprises.

//5. Develop the autonomous spirit of enterprises and handle tapping potential, renovation, restructuring and development of civil goods production.// The Xian Changzheng mechanical plant ran out of factory space for production of record players. The garage was then spared and converted into a workshop. There was no equipment for the production of aluminum parts for movie projectors, so the existing well-type blast furnaces were used instead. This has saved time and saved money for the state.

//6. Grasp "first" products and constantly improve product quality.// Last year, new products included a bunch of civil goods like sewing machines, watches, typewriters and toasters which, after relentlessly grasping quality control, production

sequence and rejecting. Goods of inferior quality, before they leave the factory, have earned a fairly good reputation. Of these, model 135 calculators, crystal tube gas pumps, and so on, were rated as the best products in the province and some even received commendations from the central departments concerned.

//7. Repair the old and utilize waste, comprehensively utilize various resources to develop the production of civil products.// Some enterprises make use of leftover materials, overstocked raw materials and electrical parts to produce sundry metal goods and consumer goods. These include semiconductor radios, magnifying glasses, dies, lenses, washing machines, wooden and metal furniture, and so forth. This meets the demand on the market.

However, all this is only the beginning of the production of civil goods by the military industrial enterprises. The existing potential and advantageous position of the Yunnan military industrial enterprises have not yet been fully exploited by a long way. The utilization rate of technicians is generally fairly low. According to a preliminary survey, the productivity of each metal cutting machine is almost half of that of its civil counterpart. The labor productivity of all the personnel is 38 percent lower than civil industry. The circulation funds in military enterprises for every 100 yuan worth of production is about 100 percent more than in civil enterprises. The fixed assets involved are 170 percent higher than in civil industry and the profit for every 100 yuan of output is about 50 percent lower. Some military industrial enterprises suffer from losses on the one hand, and have idle manpower, resources and advanced equipment on the other. This is so-called "holding a golden rice bowl and waiting to be fed." The main reason is that our nation's military industry management system has formed a separate entity which is quite independent of the civil industries. An immense gap has opened up between the military and civil industries. Those manufacturing military goods cannot deal with civil goods. Practice has proved that the disadvantages of this system outweigh the advantages. The investment of the country is big but the economic effect is poor; readjustment and reform has to be carried out. Regarding the orientation of reform, I consider it necessary to break down the barriers that separate the military and civil sectors. The existing military industrial enterprises would have to evolve from unitary production of military goods to a dual production structure for military and civil products. The military and civil sectors should combine to develop production, so as to produce both military and civil products. Taking into account many industrially developed countries abroad they have long since practiced a unified approach to the military and civil sectors. In the United States, for instance, the making of military and civil goods are undertaken together, with the exception that explosives and a small quantity of specialized military products are produced by specialized plants, nearly all these military goods are produced by contractors working on government contracts. The civil enterprises that are engaged in military production account for about 80 percent of the aircraft industry, about 60 percent in shipbuilding, 34 percent in electrical engineering and 28 percent in general mechanical industries.

The military industrial enterprises taking the road of military and civil cooperation is an objective demand in the process of socialist economic development. It is a long-term strategic target of the "four modernisations" construction. It is also a major component of industrial readjustment and reform of the industrial management system.

However, to realize the unification of the military and civil sectors in the light of the existing conditions of the military industrial enterprises in Yunnan Province, the following aspects of work has to be achieved:

//1. Go one step further in emancipating the mind, eliminate "leftist" influence, and raise the military industrial enterprises' awareness of both the military and civil sectors, and military and civil cooperation.// First, it is necessary to resolve the question of ideological understanding: 1) is to overcome the "supply system" ideology; 2) is to rectify some incorrect viewpoints. For example, some think that the military handling civilian products is "not engaging in proper business," as well as an additional burden. Some also consider such an approach as a short-term expedient measure. Some worry that "confusing the structure of the organization" will affect the building of national defense. Some think that the military industry is degrading itself in producing civil goods. These problems of ideological understanding, if unresolved, will adversely affect the active integration of military and civil enterprises. Moreover, the military industrial enterprises should adopt an entrepreneurial approach and change from using purely administrative methods to manage enterprises to adopting suitable economic measures to manage enterprises so that the military industrial enterprises may get the maximum economic effect with the minimum waste.

//2. Relentlessly grasp readjustment and work well.// First, resolutely readjust the capital construction front. For the military industrial enterprises to develop production of civil goods, they have to make full use of existing conditions and exploit their internal potential. In handling ongoing projects, it is necessary to resolutely drop, stop or suspend them under appropriate situations. The enterprises' funds for specific purposes like tapping potential, renovating and restructuring, must be kept for the purpose for which they were intended and are not to be diverted from capital construction projects. As regards the scale of construction and orientation of utilization of the funds retained by localities and enterprises for their own use, they should be reported to and vetted by the state and the directing departments.

In addition product structure should be readjusted well. Closing, suspending, merging and shifting must be done well. The readjustment should ensure that the production of military equipment and scientific research, design, experimenting and verification of military industry should be given priority for completion. It should be conducive to satisfaction of the demand for people's livelihood and rapid expansion of consumer goods production. In this way, the supply of commodities on the market will be increased. At present an integrated analysis and evaluation should be conducted over enterprises that produce military goods which are in excessive supply but that are seriously deficient in their production assignments. Some enterprises produce inferior goods of high price and unmarketable goods. Some enterprises have suffered losses for a long time and fail to see the effects of rectification. Some enterprises develop too slowly and do not have normal conditions for production or their production targets are unsettled. After such analysis and evaluation, closing, suspending, merging and shifting should be carried out according to different situations. Some products that are of good quality and low cost, marketable and competitive in international and domestic markets and that are in short supply should be stepped up. They should forge ahead toward the goal of high, big precision and top-notch, and production of goods in short supply should be tackled.

//3. Practical conditions should be taken into account in determining the form of merging of the military and civilian goods production.// The form of coordination should be principally toward coordination, but should distinguish between different situations, so that there is both division and coordination. The following forms of coordination may be taken: (1) Coordination at the upper levels, division at the lower levels. This means the provincial machine building industrial committee or the head office produce various types of military goods as well as civil goods. Below these two organizations, military branch control organs or military branch companies should be established. While coordination at the upper levels is the fundamental form, the subdivisions at lower levels should cater to the specific demands of military goods and carry out specialized management. (2) Coordination of manufacture and division of design. This means the design of products on paper should be carried out separately but different manufacturing units should be coordinated. (3) Processing should be coordinated, assembly should be diversified. For spare parts for military and civil goods, items involving similar or equivalent spares and craftsmanship should be processed together. But at the stage of packaging, they should be separated. (4) Coordination of hardware, division of software. The production of software should be separated from that of civil goods and be treated as classified. Hardware that is basically the same, should be produced together with civil goods. Military goods that require special functions should not be forced into the same production process as civil goods. There is however a special condition for these few forms of coordination. They must be undertaken according to the principle of economic rationality and must facilitate the development of production as well as the construction of the economy and the construction of national defense. Enterprises under the company may extend from military goods to civilian ones; or emphasize both equally. They may also incline to or completely gear up to civilian goods.

//4. It is necessary to positively and steadily carry out systems reform that facilitates readjustment.// In order to turn enterprises into relatively independent commodity producers and maximize the mobilization of the massive working population, it is necessary to separate the executive body from the economic management body. Solid proposals include: breaking up of departmental and regional barriers. The provincial national defense industry office and its branches (excluding special bureaus and companies) and provincial machine building plant and provincial agricultural machinery bureaus should be abolished. A "provincial machine building industry committee" should be formed by the various concerned departments. Its chief mission would be the checking and supervision of all organizations within the machine building industry system (including the national defense industry) in thoroughly executing the state's guidelines, policy, and statutes. It should also formulate the scope of economic development of the entire machine building industry and its policy of economic technology. It should also guide, mediate and determine the various organizations. It should also organize and check all major setups, technological reform, conducting of scientific research projects and provide internal economic data. It should organize the exchange of experience, training of professionals and carry out instruction on work. Under the leadership of the "provincial machine building industry committee," the scattered "big and complete" and "small and complete" enterprises under the parent factories and operational bureaus will be rationalized gradually and according to the principles of economic coordination, industrial system, coordination between specialized departments and economic rationality, different types of

cooperative entities will be formed--specialized companies of an enterprise nature and joint venture companies. The road of coordination between specialized departments and economic cooperation will be taken.

//5. To enhance its function as an economic lever, promote development of civil production.// The production and marketing of civil goods by military industry enterprises should be subject to the corresponding industrial and commercial mercantial taxes and gains tax. For the sake of encouraging military enterprises to positively organize civil production, a certain amount of support and tax concessions, should be allowed. This means a reduction of tax under various conditions or fixed reductions. The transaction tax involved in processing and installing of parts should be waived. In terms of prices and sales, the leftover resources from military products, original pieces and installed products should be utilized by enterprises in civil production at a lower price. For production of light industrial products arranged by the upper levels, enterprises should be allowed a certain amount of autonomy in sales. On the issue of opening up competition, the upper level supervisory departments should strengthen overall balance and planned guidance, promptly provide economic information on various types of products to different regions and industries within the country (including production capacity, prices, quality and nationwide supply and demand). Irrational actions resulting from one-sided development of overwhelming position of certain enterprises should be avoided. On the issue of foreign trade, monopolies and sectoral splits should be changed. Uniform leadership and diversified operation should be practiced. Enterprises should have greater powers to negotiate with foreign merchants so as to mobilize the positive function of enterprises concluding contracts for orders with foreign merchants.

CSO: 4006/26

INDUSTRY

BRIEFS

TEXTILE OUTPUT VALUE—Beijing, 19 Sep (XINHUA)—In the first 8 months of 1981 China's textile industry produced textile goods with a total value of 50.1 billion yuan, a 14.88 percent increase over the total output value in the first 8 months of 1980. [Beijing XINHUA Domestic Service in Chinese 1250 GMT 19 Sep 81 OW]

HEILONGJIANG COAL OUTPUT—As of 28 September, provincial collieries whose products are distributed under the unified state plan, had overfulfilled the third quarter coal production plan by 20,000 tons. The average daily output increased 1.8 percent over the corresponding 1980 period. In the first 9 months of 1981, these collieries overfulfilled the raw coal production plan by 970,000 tons—a national record. [SK301004 Harbin Heilongjiang Provincial Service in Mandarin 2200 GMT 29 Sep 81]

JILIN TEXTILE INDUSTRY—Eleven textile industrial enterprises in Jilin Province have constructed and expanded production projects, installing a number of machines and making it possible to increase the annual production capacity of cotton yarn by 20 percent, woolen yarn, 100 percent; and dyeing and printing cloth, 10 million meters. Production capacity of other textile products such as knitted goods, silk and chemical fabrics has also slightly increased. [SK301004 Changchun Jilin Provincial Service in Mandarin 1100 GMT 29 Sep 81]

CSO: 4006/27

## CONSTRUCTION

### NATIONAL CONFERENCE ON CONSTRUCTION IN ENTERPRISES CONCLUDES

HED40652 Shijiazhuang Hebei Provincial Service in Mandarin 0400 GMT 25 Sep 81

[Summary] The state capital construction commission opened a conference on political work in construction enterprises throughout the country in Tangshan Municipality, Hebei Province, on 14 September. The conference lasted 10 days and closed on 24 September. The participants visited certain factories and new construction sites of Tangshan Municipality. "Han Guan, minister of the state capital construction commission, submitted a report to the conference, (Xiao Tong), director of the state general bureau of construction, (Xiao Jingwa), director of the state general contracting bureau, and Kang Yonghe, general director of the state labor bureau, spoke at the conference." Li Jingzhao, vice minister of the state capital construction commission, gave a summation speech at the close of the conference.

The participants held: The No 2 construction company in Handan Municipality of qualified to be considered as a good example in simultaneously grasping production, political work, enterprise management, rectification of the leadership group and implementation of the production responsibility systems. The conference held: The most pressing task at present is to rectify well the enterprises and build up a strong work force in order to improve the political quality of the force, and its economic effect and social prestige. We must build the national construction force into a force which possesses advanced ideology, technical experience, strict discipline, and scientific management and which is united to strive for the building of the four modernizations.

The participants unanimously pointed out: "We stress working in accordance with the economic laws, however, we must also strengthen ideological and political work. We must resolutely overcome the state of being lax and weak in ideology and in leadership. We must properly criticize when necessary, and carry out appropriate struggles against wrong tendencies in violation of the four basic principles and various unsavory trends."

In the course of pushing forward the economic responsibility systems, we must also stress correct ideology. We must educate the cadres and the workers to build up the sense of responsibility of being masters of the house and correctly deal with the interests of the state, collective and the individual.

The conference held: "Rectification and building of the leadership groups is the key to rectifying well the enterprises, building a strong force, strengthening ideological and political work and pushing forward the economic responsibility systems." We must work in accordance with the instruction of the Central CCP Committee and promote young, capable and learned staff to leadership posts.

## CONSTRUCTION

### BRIEFS

**HOUSING CONSTRUCTION PACE**—Beijing, 1 Oct (XINHUA)—Housing construction in the Chinese urban areas has been progressing at a fast pace in the first three quarters of 1981, a spokesman of the State Capital Construction Commission said. The amount of investment in housing construction, and the floor space of housing under construction and completed in the first eight months approached the level in the corresponding period of 1980, a record year for China's urban housing construction, he said. "The new achievement," he noted, "was made despite the cut in China's total national capital investment for the current year." Between January and August, housing starts covered 87.78 million square meters while housing completions totalled 19.51 million square meters. The State Council approved an additional investment of 3,000 million yuan pooled by the localities and enterprises for the housing programs, the spokesman added. Funds pooled by enterprises accounts for more than a half of the total housing investment this year. In some provinces, the percentage has risen to 60 or 70 percent. [Beijing XINHUA in English 0151 GMT 1 Oct 81 GW]

**HEILONGJIANG HOUSING CONSTRUCTION**—Heilongjiang Province has successfully advanced housing construction work. According to statistics compiled by the provincial statistics bureau at the end of August, the province has initiated its 1981 housing construction work on 3.79 million square meters of floor space. Housing totalling 690,000 square meters of floor space have been built. With the new houses which have been built in the past 3 years, the province now has new housing with 13.7 million square meters of floor space. They can accommodate 260,000 households. [SK021230 Harbin Heilongjiang Provincial Service in Mandarin 1100 GMT 2 Oct 81]

CSO: 4006/27

**DOMESTIC TRADE**

**BRIEFS**

**SHANDONG COMMODITY PURCHASES**--During the first 8 months of 1981, commercial departments in Shandong Province purchased 9.6 percent more commodities in terms of their yuan value than in the corresponding 1980 period. Farm and sideline products increased 23.1 percent in value; industrial goods, 6.5 percent; and hogs, 31.3 percent. Sales of commodities in that period totaled 10.3 billion yuan, a 15.3 percent increase over the corresponding 1980 period. Sales of commodities in rural areas increased 16.1 percent and in urban areas, 14 percent. [Jinan Shandong Provincial Service in Mandarin 2300 GMT 30 Sep 81 SK]

CSO: 4006/27

FOREIGN TRADE

BRIEFS

GUANGDONG SMUGGLING CASE--The legal department of Zhuhai Municipality in Guangdong Province recently cracked a smuggling case in which (Lu Jianming), vice secretary of Xiangzhou Fishing Vessel Shipyard Party Committee, was arrested. Since the Xiangzhou fishing vessel shipyard lies just on the border of Macao, (Lu Jianming) had the opportunity to engage in smuggling activities with Hong Kong and Macao merchants by making use of his power. In addition, he also organized a gang of criminals to steal spare parts of vehicles to refit old cars which had been imported from Hong Kong and Macao and sold them at high prices in the name of the shipyard. According to incomplete statistics, (Lu) had sold some 112 cars from October 1980 to June 1981, realizing a profit of 130,000 yuan. [HK281223 Guangzhou Guangdong Provincial Service in Mandarin 2330 GMT 10 Sep 81]

PRINTING MACHINE SALES EXHIBITION--Beijing, 5 Oct (XINHUA)--More than 200 printing machines from 50 printing machine factories throughout China were on display today at the Beijing exhibition center as the first national printing machinery sales exhibition opened. The director of the exhibition said that foreign manufacturers and business people are welcome to visit the fair and discuss questions of technical cooperation. He said that invitations have been sent to foreign businesses and manufacturers including dealers in Chinese printing machinery, resident representatives of foreign businesses in Beijing and commercial officers of embassies. China has exported printing machines since 1956 and they now go to more than thirty countries and regions. It is expected that total value of exports will surpass five million U.S. dollars this year, an increase of 33 percent over last year. [OW051417 Beijing XINHUA in English 1217 GMT 5 Oct 81]

CSO: 4020/10

## LABOR AND WAGES

### BRIEFS

GRASSROOTS TRADE UNIONS--Beijing, 1 Oct (XINHUA)--According to Congren Ribao, the organizations of trade unions at the grassroots level in China have developed vigorously. Statistics of departments concerned show that China now has 376,000 grassroots trade unions, 449,000 workshop trade unions, 4.54 million trade union groups, 61.16 million trade union members, 190,000 cadres of grassroots trade unions who are divorced from production and 7.7 million grassroots trade union activists. In comparison with 1964, the number of grassroots trade unions has increased by 190,000. [Beijing XINHUA Domestic Service in Chinese 0014 GMT 1 Oct 81 OW]

CSO: 4006/27

TRANSPORTATION

PRC AVIATION ADMINISTRATION LETTER TO TAIWAN

GW061524 Beijing XINHUA in English 1506 GMT 6 Oct 81

[All quotation marks as received]

[Text] Beijing, 6 Oct (XINHUA)—The aeronautical information service of the General Administration of Civil Aviation of China (CAAC) has proposed to the International Notam (Notice to Airmen) Office of the Taiwan Flight Information Centre that they cooperate in compiling a new aeronautical information publication on China's civil aviation.

The letter which was sent in September said that the suggestion was made to help develop the civil aviation of the motherland and our common interests." It said that representatives of the Taiwan civil aviation authorities "are welcome to come to Beijing, Guangzhou or Shanghai and other places suitable to both sides. The Chinese people's government will assure their safety and free travel. We can also send our people to Taiwan if the Taiwan civil aviation authorities guarantee their safety and free travel.

If the Taiwan Civil Aviation authorities had difficulties in sending personnel to the mainland, the letter suggested contact by mail. Two copies of "Aeronautical information publication of China's civil aviation were offered which could be picked up from the CAAC office either in San Francisco or Tokyo.

On January 3, 1979, CAAC proposed to the Taiwan civil aviation authorities that there be talks on air service and indicated willingness to provide all conveniences for air service between the mainland and Taiwan Province.

In November 1979, Xu Keji, a CAAC official then in charge of ICAO (International Civil Aviation Organization) affairs, offered CAAC aeronautical information to the Taiwan civil aviation authorities and said that CAAC would like to exchange experiences with their colleagues in Taiwan. He proposed joint use of the technical date of the International Civil Aviation Organization to develop civil aviation and ensure flight safety.

The General Administration of Civil Aviation of China resumed its activities in the International Civil Aviation Organization in 1974.

CSO: 4020/10

**TRANSPORTATION**

**BRIEFS**

LIAONING CHANGXING ISLAND BRIDGE—A bridge linking Liaoning Province and Changxing Island was opened to traffic 29 September. This bridge, which is 355 meters long, 10 meters wide and 176 meters in its central span, is one of China's modern bridges constructed with domestic and foreign advanced technology. The construction project was undertaken by the first construction section of the provincial highway construction bureau. A ceremony to mark the bridge's opening to traffic was held 29 September, attended by some 1,000 civilians and soldiers. [SK301004 Shenyang Liaoning Provincial Service in Mandarin 1100 GMT 29 Sep 81]

C50: 4006/27

GENERAL

IMPORTANCE OF COLLECTIVE ECONOMY IN CITIES AND TOWNS STRESSED

Jinan DAZHONG RIBAO in Chinese 3 Sep 81 p 3

("Study of Economic Problems" column article by Qi Yongping [7871 3057 1627]: "Collective Economy in Cities and Towns Is an Important Component of Socialist Economy")

(Text) As clearly pointed out in the "Resolution on Certain Questions in the History of Our Party Since the Founding of the People's Republic of China," "the state economy and the collective economy are the basic forms of the Chinese economy." As an important component of socialist economy, the development of the urban collective economy is an objective necessity, since it can help develop production, bring prosperity to the market, initiate various forms of social services, and provide conveniences for people living in cities and towns.

Specifically the urban collective economy has the following special features and roles:

1. It suits our country's specific conditions. Practice has proved that developing the collective economy is consistent with our national conditions. We have a huge population and a weak economic foundation. While the national economic readjustment is going on, the state cannot afford to spend too much on developing the collective economy. In establishing collective enterprises, the state is not required to invest in the building of factory buildings and dormitories or in the purchase of equipment. Nor will the number of people consuming commercial grain be increased. The collective economy in cities and towns has such features as a large variety of trades and a broad scope of activities which occupy less land, require less investment, and yield quick results, in addition to its business flexibility, strong adaptability, and close contact with the market. It is also easy to set up collective enterprises which enjoy independence and keep initiative in their own hands; practice independent accounting, assume responsibility for profits and losses; and exercise democratic management. The result of their business operation has a direct bearing on the economic benefits of their workers and staff members. Therefore, the enthusiasm of the workers and staff members can be easily aroused.

2. It is convenient for integration and cooperation. In our country, more than 90 percent of the major industries are concentrated in 107 municipalities directly under the central or the provincial government. These municipalities also serve as political, economic and cultural centers with fairly large concentrations of scientific research organizations. For the sake of energy conservation, it is usually necessary for local

major industries to form integration and to cooperate with the collective economy in cities and towns in developing high-grade, precision and advanced production of a fairly difficult nature; in producing small products, accessories and spare parts; or in undertaking processing and auxiliary projects.

3. Collective enterprises can also fill certain gaps. In addition to the role of cooperation, the collective enterprises in cities and towns can produce many products which the major industries are incapable of producing. According to statistics, the volume of industrial goods for daily use produced by collective enterprises amounts to approximately 17 percent of the total retail sales throughout the country. More than 20,000 different products produced by these enterprises are indispensable to people's daily life which includes food, clothing, housing and travelling. Thus they are playing an important role in filling gaps.

4. As experiences in the past 20 years have proved, collective commerce in cities and towns is an important force not to be overlooked in the spheres of exchange and circulation. In 1954, there were in the whole country approximately 2.8 million peddler households. In the course of socialist transformation, the majority of them were organized into cooperatives which form an important component of the collective economy. Despite certain defects which has left behind some long standing problems, the transformation was a great success. Collective commerce in cities and towns has enlivened the market and provided facilities for production and people's daily life. Since the Third Plenary Session of the 11th Party Central Committee, collective commerce in various forms has become more active and played a more important role. In Jinan, for example, the Dongguan Neighborhood Office of Lixia District raised its own funds to set up a collective store. Its average daily sales were more than 3,600 yuan. This serves as a very good example.

5. Collective economy plays an important role in bringing prosperity to the small and medium-size cities and towns. The policy for city construction in future is to control the scope of large cities, to rationally develop the medium-size cities, and to actively develop small cities and towns. It is necessary for collective enterprises to develop not only in large and medium-size cities, but also in small cities and towns in particular. Small cities and towns have special features of their own. They are close to the countryside and serve as local political, economic and cultural centers. With better transportation facilities, they also serve as a bridge between the large and medium-size cities and the vast countryside. Because of their limited energy resources and scientific and technological know-how, they are unfit for the development of major industries; however, handicrafts, commerce, service trade, communication-transportation, and civil construction in many cities and towns are fairly well developed, and are able to provide convenience to the local people's daily life. That is why the adoption of flexible policies, the increase of trades, and the clearing of channels for the development of collective economy are of great significance to the prosperity of cities and towns.

6. It helps organize the broad masses of workers and unemployed youths in the cities and towns to participate in socialist construction. The vast majority of collective enterprises require high labor intensity. Some of these enterprises do not demand a high technological level and can provide more job opportunities. In June 1981, the State Statistical Bureau announced that if the restaurant business could return to its 1955 level, 3.7 million additional people could be given jobs. Thus if the entire collective economy could return to its 1955 level, the employment problem for more people can be solved.

From what has been cited above, we can see that, far from a temporary expedient, the development of collective economy in cities and towns is an important measure to promote production and business, to bring prosperity to the cities and towns, and to infuse vitality into the economy under the guidance of state planning and on the basis of market needs. This measure is consistent with the present level of productive forces in our country, helpful to the development of production, and compatible with the objective economic laws. That is why in the not distant future, collective economy should be developed in cities and towns, along with the appropriate reactivation and development of individual economy. Since the Third Plenary Session of the 11th Party Central Committee, many good experiences have been gained and accumulated in the development of this type of collective economy in different regions and trades. For this reason, we believe that collective economy in cities and towns can take many forms: the people's voluntary participation with self-raised funds or integration with rural enterprises to form collective enterprises. Unemployed youths can also independently form specialized or comprehensive organizations under the system of collective economy. With increased resources and an enlivened economy, it will be possible for collective economy in cities and towns to start out on an ever broadening road.

9411

CSO: 4006/506

PUBLICATIONS

BRIEFS

CHINESE ECONOMIC YEARBOOK--Hong Kong, 29 Sep (XINHUA)--The overseas edition of 1981 "Chinese Economic Yearbook," published in Chinese, has been put on sale here today. The overseas edition is the first ever published since the founding of the People's Republic of China. "Chinese Economic Yearbook," will be published annually in the future and the Japanese and English editions 1981 "Chinese Economic Yearbook" will successively be on sale overseas, says Jiang Yiwei, chief editor of the yearbook, at a press conference given by the Hong Kong contemporary culture enterprise company on 28 September. [Beijing XINHUA Domestic Service in Chinese 1136 GMT 29 Sep 81 OW]

CSO: 4006/27

## NATIONAL POLICY AND ISSUES

### PRC ECONOMIST ON INDUSTRY, ECONOMIC REPORT

HK290134 Hong Kong SOUTH CHINA MORNING POST in English 20 Sep 81 p 16, Business Supplement

[Article by Julie Auyeung]

[Text] China is taking a new approach to its development of heavy industry--renovating existing factories instead of attempting ambitious projects of building new plants.

However, the development of light industry to improve living standards, still remains the essence of Beijing economic policy.

These were reviewed yesterday in Hong Kong by Mr Jiang Yiwei, the deputy director and research of the Institute of Industrial Economics, Chinese Academy of Social Sciences.

Mr Jiang also announced the publication of a Chinese annual economic report--the first since 1949--which will shed light on progress made during the country's economic reforms.

It is recognized that China still faces many problems and changes or readjustments are inevitable. But there are good signs and China is "steadfast" in its economic policy, said Mr Jiang.

Mr Jiang explained China is not reverting to the development of heavy industry despite reports to this effect.

However, China does not intend to let existing plants lie idle because of the switch of emphasis from heavy industry to light industry.

"Plant facilities are still there and workers still have to be paid. It is important that new technology be introduced to keep up the production," he said.

The policy is not to stop any operation, but invest sufficiently in these plants to restore their original production capacities.

He added: "Though there is a contraction in investment on heavy industry, we will still be spending some money on it. But we will not be building capital-intensive plants for heavy industry."

On the policy concerning special economic zones, the overall plan is to develop coastal regions and cities and gradually move inland.

There are reports that Beijing, Shanghai and Tianjin will be turned into special trading areas with more "flexibility" in carrying out foreign trade and cooperation with foreign business partners.

Mr Jiang said: "These cities are being given priority for development because of their background in commerce and industry. They have a leading function.

"We have to move towards inner China gradually as many of these areas have not yet reached the capabilities of the special economic zones."

In the annual economic report just published, comprehensive coverage is given on the economic achievements made by all Chinese provinces in the past 30 years.

About 150,000 copies will be circulated in China and 10,000 copies in Hong Kong at HK\$200 each. The English version will be out soon while the Japanese issue will be ready next month.

There are plans to print quarterly editions starting from next year.

C90: 4020/10

## NATIONAL POLICY AND ISSUES

### HONG KONG, PRC OVERSEAS CONSTRUCTION LABORER CONTRACT

HK150307 Hong Kong BUSINESS STANDARD in English 15 Sep 81 p 1

[Text] Hong Kong has now become the overseas employment agent for China after two locally-based companies reached agreement with the Chinese authorities to export Chinese workers. Zim-Chem (Far East) recently signed a contract with the Fujian Foreign Construction Company to promote and provide Fujian workers with work in overseas construction and industrial projects.

The other company, Chronicle Consultants, also reached a similar agreement with Guangdong Manpower Service Corporation in late 1979. The export of manpower is claimed by China as part of the program for Chinese workers to learn modern technology through actual practice.

However, Chinese authorities also stand to profit financially by exporting manpower. According to information supplied by Chronicle Consultants, an unskilled worker, for example, must be paid by his overseas employer 300 dollars (HK\$1800) a month. His employer must also provide his transport expenses, accommodation, income tax as well as living expenses. But according to Zim-Chem's Mr Chu, the workers themselves usually only get 10 percent of this wage while their families also only get an income double their previous wages in China. Workers also get bonuses and overtime salaries. As a normal unskilled worker in China now gets about 40 yuan (about 130 dollars) a month, a large part of the wages earned by the worker—about HK1500 or 80 percent—will be shared by the Fujian authorities and Zim-Chem. Another financial benefit for China through the export of manpower is that China gets hard foreign currency while it pays the families of workers in renminbi. However, both Mr Chu and Mr Nakayama of Chronicle Consultants said it does not necessarily mean that China is set to exploit its own workers. "These workers like to work overseas as they know that they can never earn as much inside China."

CSO: 4020/10

## NATIONAL POLICY AND ISSUES

### HONG KONG PAPER ON PRC CHANGES ECONOMIC POLICY

HK220455 Hong Kong SOUTH CHINA MORNING POST in English 22 Sep 81 p 5

[By a staff correspondent]

[Text] The zig-zagging Chinese economic policy which has confounded analysts and economists both in the country and abroad appears to have taken yet another turn, with an apparent swing back towards placing emphasis on heavy industry.

As yet, there has been no definite declaration of such a switch, but increasingly China's economists and the media have hinted at the need to re-emphasise speed in industry and a halt to retrenchment in heavy industry.

A little over a year ago, China was blaming the previous leadership, ostensibly under the leadership of the then party chairman and prime minister, Mr Hua Guofeng, for the "leftist" tendency and overemphasis on heavy industry to the detriment of agriculture and light industry.

There followed a drastic retrenchment on capital investment in heavy industry.

Overnight, many contracts with Japanese, West German and French firms were suspended, in some cases cancelled. These contracts, including the deal on the Baoshan Iron and Steel Mills, were regarded as an overextension of Chinese capital.

It has been argued that the Baoshan investment alone was so heavy that, if it were spread over the light industrial sector, it could facilitate the building of several hundred factories devoted to light industrial products such as textiles with faster returns.

Overnight, too, many construction projects devoted to heavy industrial products were suspended. Factories under construction were left to rot and installations dismantled and taken away for private use.

The emphasis, then, was on agriculture and light industry, particularly the production of consumer goods, such as sewing machines, television sets, cassette recorders, and bicycles.

Overnight, too, a whole new family of factories devoted to the production of consumer goods sprang up. Encouraged by a liberal policy that endorsed private initiative, these factories were built without much overall planning, with the result that several factories manufacturing the same goods were operating in the same region or district, to the detriment of each other.

As they competed against each other for the sale of their products they resorted to various means so that corrupt practices were so rife that they alarmed the authorities who called for strict measures to curtail the malpractices.

On the other hand, few factories would manufacture goods that did not bring a quick return, with the result that there was a shortage of certain goods.

At the same time, with the closure of many factories devoted to heavy industry such as those producing lathes and spare parts for light industry, it became apparent that as machinery in the light industrial sector broke down, it was difficult to find replacements and in certain cases, even spare parts.

The result was a reduction in the manufacture of light industrial goods in certain areas whereas in other areas, it was impossible to expand production.

Another serious side-effect was the displacement of hundreds of thousands of workers who suddenly found themselves out of a job. They still received their monthly wages, but they no longer had the benefit of overtime pay and bonuses even if they wished to work harder. Emergency measures were taken to "retrain" them but these measures were rather halfhearted.

As one economist pointed out at the time, the drastic measures as regards heavy industry were beginning to have an effect on the whole economy. There resulted an imbalance in various sectors.

Meanwhile, foreign investors whose heavy industrial contracts were cancelled or suspended expressed great displeasure and threatened retaliatory measures such as seeking compensation. This forced the administration to go back on their suspension order and resume their contractual responsibilities.

As time passed, the overemphasis on light industry was also beginning to produce undesirable side-effects.

Because the country has a vast population and because the light industrial sector could not keep up with the demands of the population, an acute shortage of popular goods occurred.

In the past, under a puritanical society, the shortage of goods meant a further tightening of the belt and the people were told to bear it in the name of "perpetual revolution." With that ideology thrown overboard, the people were demanding more and they meant to get what they strived for.

The shortage of goods, even though the authorities were doing their best to produce them, contributed to another phenomenon which was nonexistent in the past: inflation. And blackmarkets flourished everywhere.

By January this year, the situation was so serious that the State Council had to issue a 10-point directive on industry. Apart from stressing that all major capital construction projects must be approved by the State Council, the other points dealt largely with the problems that were themselves the products of the readjustment program, such as the need to unify the bonus award system, the need to unify control over finances and taxes and the readjustment of commodity prices.

Another directive stressed that market adjustments must be carried out in accordance with national plans—a clear indication of the lack of control in regional planning and a free-for-all investment policy.

By late spring the ill effects of the over emphasis in light industry became even more pronounced while the heavy industrial sector showed stagnation.

By late summer, it became apparent that coal production could not meet the target the State Council set for it last year and the coal minister, Mr Gao Yangwen, had to make a selfcriticism.

Behind the scene, a debate was raging as to whether the policy of going full-steam ahead with light industry and drastic retrenchment in heavy industry was the right one.

And since April, the media began to stress that there should not be an excessive demand on the speeding up of capital construction.

Although the media laid the blame on "excessive demand" many analysts said the real emphasis ought to be, once again, the need to develop capital construction.

This was in sharp contrast to the widely publicized decision late last year that there should be drastic cuts in capital construction—a branch of heavy industry.

By August, the emphasis appeared to be on both light industry and heavy industry. This was borne out by a statement to the Hong Kong press by a State Council vice premier, Mr Gu Mu, that retrenchment in heavy industry had already reached its peak and there would not be any further retrenchment.

The shift of emphasis on economic policy also had a parallel development on the political side.

Mr Gu early this year had to shed his chairmanship of the state capital construction commission, and three other top State Council officials, including the former State Planning Commission chairman, Mr Yu Qiuli, had to take a back seat when they lost out in their advocacy for heavy industry.

They were replaced by a new economic team who was in favor of the development of light industry. The "new" team was led by the party vice chairman, Mr Chen Yun, and included, among others, the present chairman of the State Planning Commission, Mr Yao Yilin, the prime minister, Mr Zhao Ziyang, whose Sichuan economic experiment was widely hailed.

With the perceptible shift to heavy industry, the fortunes of the new team appear somewhat eclipsed.

Apparently angry with the shift, Mr Chen Yun, who was the champion for light industry and a severe critic of heavy industry, moved to Hangzhou. Mr Yao has made fewer appearances or received foreign guests and it was left to Mr Zhao to explain the nation's future economic policies to visitors.

On the other hand, those who previously advocated emphasis on heavy industry, have made a comeback.

Mr Yu, in his new position as China's energy chief, separately met a Japanese delegation which was also received by Mr Zhao. Mr Gu also made more appearances and officiated at the launching of a 27,000-ton bulk carrier that Chinese shipyards built for a Hong Kong shipowners.

The head of the "old" team, commonly acknowledged to be yet another party vice chairman, Mr Li Ziannian, has also been receiving guests and speaking of economic developments of the country.

With the apparent shift back to heavy industry, even ever so slightly, a major question now arises: to what extent will the shift move and what kind of a balance, if at all, is to be struck?

A re-emphasis on heavy industry will mean new investment and China is known to be short of funds these days. While borrowing will be one way to resolve this problem --and China's credit standing in the international market is fairly good--this will only meet part of the capital required for the development.

There is also the problem of what to do with the dozens of heavy industrial plants that ceased operations since the middle of last year. Reviving them will mean injection of additional capital which would not have been necessary had these plants continued to function.

All these will be the main problems to which the present leaders will have to address themselves.

The coming fourth session of the Fifth National People's Congress is therefore all the more important for it will be at that session that Mr Zhao will discuss China's economy in his government work report. In that report, he will also discuss the country's Sixth Five-Year Plan already underway.

Mr Gu, at a meeting with a visitor, disclosed that the country's economic growth was 3 percent this year, very low indeed compared with the past few years. He also expressed the hope that the growth in the next 4 years would proceed at the rate of 4.5 percent a year.

These growth figures are a pragmatic assessment considering the sluggish world economy and compared with low growth rates of other countries. The question is whether these expectations can be translated into reality.

For this to be achieved, there must not be any more drastic changes in the direction of the Chinese economy.

CSO: 4020/10

## NATIONAL POLICY AND ISSUES

### HONG KONG PAPER ON PRC ECONOMIC SEMINAR

HK281320 Hong Kong WEN WEI PO in Chinese 28 Sep 81 p 3

[Dispatch From Beijing: "Experts Hold Economic Seminar, Discuss Development Speed During Readjustment Period"]

[Text] How are we to maintain a fairly high development speed during the readjustment period? Economic experts in Beijing recently held a seminar and deeply probed this question. The participants unanimously noted: During the previous period, our country promptly adopted retrenchment measures and revised the proportionate relations within our national economy in order to remedy the serious consequences caused by "leftist" mistakes in our guiding economic ideology which almost brought about a collapse of our national economy. The measures and the revision have yielded notable results in the process of readjustment. However, during the process of readjustment, we must not be stifled by financial restrictions. Financial problems cannot be solved under the situation in which there is a production shrinkage. At present, we have a surplus heavy industrial production capacity, an expansion of industrial losses, a decrease in revenue and a greater risk of having deficits. This situation has put a new issue before us which is in need of immediate settlement. This new issue is: During the process of readjusting our industrial structure, the means of production must maintain a fairly high development speed. Only by doing so can we enliven our national economy.

During the 1950's, "one to eight" was the standard ratio between money supply and turnover from retail trade in social commodities. Some people think that this ratio is no longer applicable to the current social and economic conditions in our country, and that it is imperative to make a concrete analysis of money supply. We cannot practice overall deflation and comprehensive tightening of money supply for a long time.

Some people have noted: At present, although manpower, equipment and facilities in our capital construction, metallurgical and machinery units lie idle and are left unused, there is still a demand for them. Therefore, with the application of the principle of multiplication of investment and the application of the concept of opportunity cost, there will be no inflation even if the state makes more investments. Investments should guarantee good economic effects and supplement financial redistribution with bank redistribution. Some other people have noted: There is a great disparity between our production scale and our real production capacity. We should expand our planned investments, form a fine social production circle and have

comprehensive control over our social consumption. By doing so we will reduce financial deficits by a big margin.

The seminar also noted: Energy is an important factor that restricts the speed of economic development. In addition to vigorously broadening sources of energy, our more important short-term task is that we must regard the general conservation of energy as a strategic objective. Energy conservation targets should be combined with economic targets and national income. Broadly speaking, energy conservation should include raising energy systems' efficiency and restructuring the utilization of energy resources.

Some people have noted: Energy is not the only breach. The West deems that except for population and energy, the most challenging question of our time is the excessive consumption of nonfuel mineral resources. Our country is rich in nonferrous and rare metals. We should make full use of this superiority and grasp our nonferrous metal industry as a strategic industry.

CSO: 4006/27

## NATIONAL POLICY AND ISSUES

### 'WEN WEI PO' ON IMPROVING ENTERPRISE MANAGEMENT

HK211133 Hong Kong WEN WEI PO in Chinese 21 Sep 81 p 3

[Dispatch From Beijing: "Economic Experts Put Forward Many Measures When Discussing Improving the Economic Effect of Enterprises"]

[Text] Recently the Chinese Association of Enterprise Management held discussions on the problems of improving the economic effect of enterprises. Their analysis and discussion of the problems were on the following three aspects:

1. The main manifestations and causes of the poor economic effect of the enterprises at present: owing to the irrational economic management systems and the influence of the "leftist" thinking and, in addition, owing to the serious disturbance of and sabotage by the "gang of four," problems exist in most of the enterprises resulting in a situation where, with only a few exceptions, the economic effect cannot be improved quickly. This is mainly demonstrated in the relative backwardness of the main economic and technical targets in quite a few enterprises, the low efficiency in exploiting energy and labor and the low profit rate compared to international interest rates. The low economic effect of industrial enterprises is due to problems in both the macrostructure and the microstructure of the economy. Its causes are diverse. Within the enterprises, the main causes are overemphasis on technology and neglect of administration, overemphasis of production and neglect of management, overemphasis of fulfillment of plans and neglect of the economic effect.

2. The chief measures for raising the economic effect:

At present the enterprises should proceed from reality, make a relevant study of the experiences in raising the economic effect in a few advanced enterprises in Shanghai, Shandong, Jiangsu and Jiangxi and combine this study with the reality of the respective localities and enterprises. Major measures for raising the economic effect have been put forward in five aspects. Diversified forms of economic responsibility systems should be set up. At present, to consolidate the enterprises and raise their economic effect we should take the establishment of diversified forms of economic responsibility systems as a basis for effecting a breakthrough. To set up economic systems we should correctly engage in two three-in-one combinations: the three-in-one combination of power, responsibility and interest and the three-in-one combination of the interests of the state, the enterprise and the individual. In the former combination the interest is economic impetus, the interest should be based on fulfilling the responsibility, and the power is the guarantee for fulfill-

ing the responsibility. In carrying out the economic responsibility systems, political and ideological work must be intensified. Material and spiritual measures should be coordinated and neither of them can be dispensed with.

Economic accounting should be intensified. In coordination with the economic responsibility system, economic accounting should be intensified and accounting systems should be gradually set up and perfected for a whole factory, for all the personnel and for the whole process of production so as to carry out overall economic accounting. Special emphasis should be put on management. Circulation should be enlivened as should production. Therefore, emphasis should be put on management in order to be able to do more business with the same amount of capital.

Attention should be paid to expanded reproduction by intension in making efforts to raise the efficacy of production. Only by raising the efficacy of production can the existent equipment, labor, the targets of labor and other elements be combined well and be exploited to the greatest extent.

Construction by the leading groups of the enterprises should be intensified. The key to consolidating enterprises and raising the economic effect is for their leading groups to do a good job in construction.

### 3. A few problems outside the enterprises:

Raising the economic effect of the enterprises mainly depends on tapping their internal potential. However, from outside the enterprises, the state and the departments in charge of them should create certain conditions for the enterprises. The following should be done:

Reinforce the leadership of the enterprises' management.

Sincerely implement all the economic policies which concern the enterprises.

Vigorously train their management cadres.

Hold in a planned way for various enterprises management discussion meetings in groups according to professions and localities.

Set up advisory companies in industrial provinces and municipalities.

CSO: 4006/27

## NATIONAL POLICY AND ISSUES

### HONG KONG PAPER ON PRC'S ENTERPRISE MANAGEMENT

HK280705 Hong Kong WEN WEI PO in Chinese 25 Sep 81 p 3

[Dispatch From Beijing: "State Council Resolves to Grasp Enterprise Management"]

[Text] After implementing the economic responsibility system in the industrial and communications enterprises, leaders of the state council pointed out that it is necessary to rapidly promote rectification of enterprises and business management and to motivate the enthusiasm of the cadres and workers in tapping the potential of the enterprises. It is necessary to pay particular attention to this question this year as well as in the future.

According to the state council leaders, our industrial and communications enterprises are seriously wasting money. It can be said that gold is found everywhere because the larger plants usually waste more. However, generally speaking, the more the waste, the greater the potential. The present ratio of the growth rate of industry and financial revenue is approximately 1 percent increase of output to 1 billion yuan of financial revenue. If the total industrial output is increased by 4 to 5 percent each year, financial revenue will only be increased by 4 to 5 billion yuan. However, if we really grasp the economic gains of the enterprises, we will get several billion yuan of financial revenue instead of 1 billion. In light of their experiences, the directors of the Financial Bureau of Fushun Municipality said: If each of the 6,000 key enterprises throughout the country saves 1 million yuan in tapping potential, a total of 6 billion yuan will be saved which is equivalent to the financial revenue obtained. A result of a 6 percent increase of the growth rate of industry.

According to the state council leaders, the factors accounting for waste are first, the malpractice of eating out a big pot, and the lack of drive among the enterprises and the workers who are not concerned with the economic gains of the enterprises; second, irrational utilization of raw materials in the localities and departments which are segregated from each other and are always engaging in petty disputes. The objective of pushing forward the economic responsibility system is to make the workers treat the factories as their own and be concerned with the factories, promote production of the factories, tap the potential of various aspects and increase the economic gains. We must affirm this point, or else, we will start on the wrong road in promoting the economic responsibility system.

The state council leaders have pointed out three points regarding how to tap the potential of enterprises: 1) improve the level of business management; 2) promote

technological restructuring centering on increasing the economic gains; and 3) rationally utilize the raw materials. All this means asking for money from business management, from tapping potential, renovating and restructuring industry and from comprehensive utilization of raw materials.

According to the state council leaders, relying on these sources of wealth, Fushun Municipality fulfilled the state's financial quotas this year despite decreased production in coal, oil, steel and aluminum, and scored success in ensuring financial revenue despite decreased production. All areas and all departments, in particular, the industrial and communications departments, must grasp a number of enterprises which possess great potentials to implement the economic responsibility system, improve the level of business management, carry out technological restructuring centering on increasing the economic gains, strengthen rational utilization of raw materials and organize joint projects and promote coordination, and so on. In the future, in addition to general scheduled arrangements, we must arrange investment, equipment and raw materials for technological restructuring and provide equipment for relatively large backbone enterprises which enjoy great economic gains.

The state council leaders stressed and pointed out: from now on, leaders of all industrial and transportation departments must fix their eyes on the lower levels and tap the potential and get money from large enterprises. It is necessary to know the ideas of the key enterprises which possess great potential and can really increase economic gains. Arrangements can be made for all projects which can get the best economic results, however, prior to this, the necessary amount of capital and raw materials is subject to approval of the state economic commission and financial department, projects which get the greatest economic gains will be given priority in arrangement; and capital will be allocated to enterprises which require a relatively small amount of investment and which brings about quick results. Planning should also be carried out centering on increasing the economic gains.

CSO: 4006/27

ECONOMIC PLANNING

**TIANJIN MAY BECOME SPECIAL TRADE AREA**

HK250208 Hong Kong SOUTH CHINA MORNING POST in English 25 Sep 81 p 1, Business Supplement

[Text] China is planning to turn Tianjin into another special trading area, in a bid to speed up the country's economic development, sources close to Beijing told business news.

Details concerning the application of the principles of special economic zones to Tianjin are being drafted.

Sources said that developments in Tianjin may be similar, although not identical, to Guangzhou, Shenzhen and Zhuhai of Guangdong Province and Shantou of Fujian Province [as published] which are forerunners for China's specially-designed economic policy.

Tianjin is a coastal municipality and the city is one of the three largest cities in China, after Beijing and Shanghai. It has been a traditional trading port, with well-established light and heavy industries.

Meanwhile, at a meeting held recently in Beijing to discuss progress made in SEZ's [Special Economic Zones], Chinese authorities concluded that the policy of dedicating provinces and cities to trade should be widely applied to other Chinese cities.

Sources said that there are plans to designate areas in Tianjin, Shanghai and Beijing as additional special trading areas. "This is also aimed at quickening the pace of China's economic development," an official from Tianjin commented here yesterday.

It was also learned that Xiqiang [place name as published] will be further developed as a support base for offshore oil activities in northern Chinese waters.

Direct air links between Tianjin and Hong Kong are being considered and discussions on the subject will be held at the appropriate time.

Tianjin plans to attract foreign investments through Hong Kong—following the examples set by Guangdong and Fujian which have offices here.

Cooperation with foreign investors will include compensation trade, processing and other joint ventures.

China traders in Hong Kong welcomed the idea of more special trading areas.

"Interest has already been shown by foreign companies, especially electronic companies, to extend operations to Tianjin," the assistant director of the Hong Kong General Chamber of Commerce, Miss Cecilia Fung said.

The area manager (China) of the Hong Kong and Shanghai Banking Corporation, Mr Anthony Russell, believes opening more special trade zones is likely to increase foreign investments.

But he suggested that the same set of regulations must govern all special trade zones to avoid confusion.

CSO: 4020/10

FOREIGN TRADE

STERN PUNISHMENT FOR SMUGGLERS IN GUANGZHOU

HK231354 Hong Kong WEN WEI PO in Chinese 22 Sep 81 p 3

[Dispatch From Guangzhou: "Guangzhou Reiterates Stern Punishment for Smugglers and Pedlars of Contraband"]

[Text] The Guangzhou CCP and revolutionary committees this morning reiterated the necessity of imposing stern punishment on units and personnel engaged in the smuggling and peddling of contraband.

At this morning's meeting, which was held to draw up plans to crack down on smuggling activities, it was pointed out by the Guangzhou CCP and revolutionary committees that since they started cracking down on the smuggling and peddling of contraband in April this year, they have already uncovered over 100 cases of smuggling and more than 4,000 cases of peddling contraband. The private goods market has been outlawed and both public order and market order have shown signs of improvement, but they have not yet been able to break the back of such smuggling and peddling activities.

In connection with the present problems, the meeting stressed that all enterprises, institutional units, organs, bodies, schools, troops and individuals, and especially party members, cadres and soldiers are forbidden to smuggle, peddle or buy contraband. They may not, in any way shield, cover up or support the smuggling and peddling of contraband. As for those units engaged in such activities, we must carry out a thorough investigation of the facts and mete out severe punishments.

The meeting announced that stiff sentences should be meted out to heads of smuggling rings, smugglers in general should be punished according to the law, stiff sentences should be meted out to drug traffickers and gold and platinum smugglers, and cadres who harbor smugglers for a share of the spoils should be subjected to the full sanctions of the law. All contraband must be seized and must not be purchased. Contraband seized by antimuggling units should be sold to designated commercial units for a fair price and must not be dealt with independently.

CSO: 4006/27

FOREIGN TRADE

BRIEFS

CHINA, ROK TRADE--Hong Kong reexports of China-origin goods to South Korea increased 118 percent of HK\$97 million during the first 6 months of this year, the government announced yesterday. This substantiated earlier reports that China has been doing business with South Korea through Hong Kong as the middleman. China earlier this month admitted publicly for the first time in a report carried by GUANGZHOU RIBAO that it conducts trade with South Korea via Hong Kong. China has close links with Communist North Korea and does not recognize the government in Seoul. And Chinese officials had consistently dismissed reports of trade with South Korea. Seoul businessmen estimated that China's trade with their country might reach the HK\$1 billion-mark, compared to nearly HK\$600 million last year. [Excerpt] [HK170112 Hong Kong STANDARD BUSINESS STANDARD in English 17 Sep 81 p 1]

CSO: 4020/10

END

**END OF  
FICHE  
DATE FILMED**

22 Oct 1981